



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

ALLEN COUNTY FINANCIAL CONDITION

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REPORT OF INDEPENDENT ACCOUNTANTS

Allen County
301 North Main Street
Lima, Ohio 45801

To the Board of Commissioners:

We have audited the accompanying general-purpose financial statements of Allen County, (the County) as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Marimor Industries, Inc. and LODDI, Inc., which represent 100 percent of the assets and revenues of the component unit column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Marimor Industries, Inc. and LODDI, Inc. is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Marimor Industries, Inc. and LODDI, Inc. were audited by other auditors in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Allen County, as of December 31, 2001, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust fund, and statement of changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2002, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the County, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

July 24, 2002

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ALLEN COUNTY FINANCIAL CONDITION

**COMBINED BALANCE SHEET-ALL FUND TYPES, ACCOUNT GROUPS,
AND DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,394,250	\$18,889,398	\$1,741,354	\$7,234,720
Cash and Cash Equivalents in Segregated Accounts	10,905	331,166		
Investments in Segregated Accounts Receivables				
Taxes Receivable	4,537,549	5,203,189	99,300	567,213
Accounts	114,817	3,138		
Special Assessments		142,476	9,294,551	4,523,178
Accrued Interest	346,013			
Due from Other Funds	26,583	66,716		
Due from Other Governments	369,041	2,158,378		1,569,319
Materials and Supplies Inventory	314,539	311,025		
Prepaid Items	265,064	575		
Unamortized Bond Issue Costs				
Loans Receivable	50,000	506,689		
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents Cash and Cash Equivalents with Trustees				
Advances to Other Funds	1,368,955	2,347,538		755,500
Construction in Process				
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds				
Amount to be Provided from General Government Resources				
Amount to be Provided from Special Assessments				
Total Assets and Other Debits	<u><u>\$12,797,716</u></u>	<u><u>\$29,960,288</u></u>	<u><u>\$11,135,205</u></u>	<u><u>\$14,649,930</u></u>

The notes to the financial statements are an integral part of this statement.

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>	<u>Totals (Memorandum Only)</u>	
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	<u>Primary Government</u>	<u>Component Units</u>	<u>Reporting Entity</u>
\$1,394,711	(\$28,055)	\$13,554,962			\$48,181,340		\$48,181,340
	8,745	1,020,033			1,370,849	\$205,444 387,445	1,576,293 387,445
		79,697,217			90,104,468		90,104,468
1,303,810		3,451,017			4,872,782	62,716	4,935,498
		4,568,476			18,528,681		18,528,681
1,037					347,050		347,050
					93,299		93,299
		802,231			4,898,969		4,898,969
36,564					662,128		662,128
					265,639	10,573	276,212
102,641					102,641		102,641
		30,257			586,946		586,946
2,162,792					2,162,792		2,162,792
691,986					691,986		691,986
370,832					4,842,825		4,842,825
70,400					70,400		70,400
25,352,925			\$64,283,260		89,636,185	822,699	90,458,884
				\$371,129	371,129		371,129
				1,378,785	1,378,785		1,378,785
				23,265,796	23,265,796		23,265,796
				10,035,855	10,035,855		10,035,855
<u>\$31,487,698</u>	<u>(\$19,310)</u>	<u>\$103,124,193</u>	<u>\$64,283,260</u>	<u>\$35,051,565</u>	<u>\$302,470,545</u>	<u>\$1,488,877</u>	<u>\$303,959,422</u>

ALLEN COUNTY FINANCIAL CONDITION

**COMBINED BALANCE SHEET-ALL FUND TYPES, ACCOUNT GROUPS,
AND DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2001
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities				
Accounts Payable	\$206,438	\$507,502		
Contracts Payable	25,360	126,207		\$661,325
Accrued Wages	560,133	863,655		
Compensated Absences Payable	49,907	92,810		
Retainage Payable		577		
Due to Other Funds		88,663		4,636
Due to Other Governments	441,990	636,791		
Deferred Revenue	3,734,577	6,545,776	\$9,294,551	6,540,556
Undistributed Assets				
Deposits Held and Due to Others				
Matured Bonds Payable			10,000	
Matured Interest Payable			73,205	
Accrued Interest Payable				61,317
Notes Payable				
Claims and Judgments Payable				
Payable from Restricted Assets:				
Revenue Bonds Payable				
Accrued Interest Payable				
Mortgages Payable				
Advances from Other Funds	1,970,500	719,800	7,535	2,144,990
Issue II Loans				
Capital Leases Payable				
General Obligation Bonds Payable				
Revenue Bonds Payable (Net of Unamortized Discount)				
Special Assessment Debt with Governmental Commitment				
Total Liabilities	<u>6,988,905</u>	<u>9,581,781</u>	<u>9,385,291</u>	<u>9,412,824</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Net Assets Held in Trust for Pool Participation				
Retained Earnings:				
Reserved:				
Reserved for Debt Service				
Reserved for Plant Improvement and Replacement				
Reserved for Operations				
Unreserved (Deficit)				
Fund Balance:				
Reserved for Encumbrances	292,891	3,574,838		545,156
Reserved for Inventory	314,539	311,025		
Reserved for Advances	1,368,955	2,347,538		755,500
Reserved for Contributions				
Reserved for Loans	50,000	506,689		
Unreserved	<u>3,782,426</u>	<u>13,638,417</u>	<u>1,749,914</u>	<u>3,936,450</u>
Total Fund Equity (Deficit) and Other Credits	<u>5,808,811</u>	<u>20,378,507</u>	<u>1,749,914</u>	<u>5,237,106</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$12,797,716</u>	<u>\$29,960,288</u>	<u>\$11,135,205</u>	<u>\$14,649,930</u>

The notes to the financial statements are an integral part of this statement

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	<u>Primary Government</u>	<u>Component Units</u>	<u>Reporting Entity</u>
\$83,682					\$797,622	\$1,248	\$798,870
20,561					833,453		833,453
52,142					1,475,930	19,228	1,495,158
85,017				\$2,210,576	2,438,310		2,438,310
					577		577
					93,299		93,299
49,823		\$88,911,551			90,040,155	996	90,041,151
					26,115,460		26,115,460
		10,907,542			10,907,542		10,907,542
		42,235			42,235		42,235
					10,000		10,000
					73,205		73,205
33,859					95,176	1,595	96,771
				6,938,100	6,938,100		6,938,100
	\$566,054				566,054		566,054
167					167		167
24					24		24
						228,309	228,309
					4,842,825		4,842,825
302,836				132,606	435,442		435,442
				81,125	81,125		81,125
				16,415,000	16,415,000		16,415,000
7,164,353					7,164,353		7,164,353
				9,274,158	9,274,158		9,274,158
7,792,464	566,054	99,861,328		35,051,565	178,640,212	251,376	178,891,588
			\$64,283,260		64,283,260		64,283,260
15,151,501	300,000				15,451,501		15,451,501
		2,998,871			2,998,871		2,998,871
166,167					166,167		166,167
358,431					358,431		358,431
1,638,194					1,638,194		1,638,194
6,380,941	(885,364)				5,495,577		5,495,577
					4,412,885		4,412,885
					625,564		625,564
					4,471,993		4,471,993
		7,054			7,054		7,054
		30,257			586,946		586,946
		226,683			23,333,890	1,237,501	24,571,391
23,695,234	(585,364)	3,262,865	64,283,260		123,830,333	1,237,501	125,067,834
\$31,487,698	(\$19,310)	\$103,124,193	\$64,283,260	\$35,051,565	\$302,470,545	\$1,488,877	\$303,959,422

ALLEN COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Property Taxes	\$3,918,461	\$5,575,116		\$482,771		\$9,976,348
Permissive Sales Tax	9,434,384	310,800	\$1,191,600	1,706,700		12,643,484
Charges for Services	3,462,658	3,458,150				6,920,808
Licenses and Permits	10,484	3,255,019				3,265,503
Fines and Forfeitures	142,763	248,859				391,622
Intergovernmental	2,443,449	25,045,843		2,019,725		29,509,017
Special Assessments		159,533	969,614	860,637		1,989,784
Tap In Fees			51,549			51,549
Investment Income	2,594,630	71,789	11,881	175,745		2,854,045
Rental Income	506,561	447,003		29,186		982,750
Other	185,726	1,392,908		608,611	\$58,327	2,245,572
Total Revenues	<u>22,699,116</u>	<u>39,965,020</u>	<u>2,224,644</u>	<u>5,883,375</u>	<u>58,327</u>	<u>70,830,482</u>
Expenditures:						
Current						
General Government						
Legislative and Executive	8,421,621	2,228,344			1,653	10,651,618
Judicial	5,621,064	3,311,432				8,932,496
Public Safety	7,895,277	1,287,396				9,182,673
Public Works	353,142	7,038,487				7,391,629
Health	252,612	10,637,998				10,890,610
Human Services	272,043	15,393,397				15,665,440
Conservation and Recreation	795,694	739,073				1,534,767
Capital Outlay				4,801,202		4,801,202
Intergovernmental	116,000		1,400	476,167		593,567
Debt Service						
Principal Retirement	18,980	12,008	1,134,000	16,532,500		17,697,488
Interest and Fiscal Charges	9,379	436	1,051,243	534,407		1,595,465
Total Expenditures	<u>23,755,812</u>	<u>40,648,571</u>	<u>2,186,643</u>	<u>22,344,276</u>	<u>1,653</u>	<u>88,936,955</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,056,696)</u>	<u>(683,551)</u>	<u>38,001</u>	<u>(16,460,901)</u>	<u>56,674</u>	<u>(18,106,473)</u>
Other Financing Sources (Uses)						
Proceeds of Notes				8,570,883		8,570,883
Sale of Fixed Assets				6,938,100		6,938,100
Inception of Capital Lease	18,379	8,588				26,967
Operating Transfers - In	308,261	477,944	125,476	2,044,344		2,956,025
Operating Transfers - Out	(475,930)	(2,352,481)		(117,174)		(2,945,585)
Total Other Financing Sources (Uses)	<u>(149,290)</u>	<u>(1,865,949)</u>	<u>125,476</u>	<u>17,436,153</u>		<u>15,546,390</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,205,986)</u>	<u>(2,549,500)</u>	<u>163,477</u>	<u>975,252</u>	<u>56,674</u>	<u>(2,560,083)</u>
Fund Balances at Beginning of Year	6,998,712	22,932,889	1,586,437	4,261,854	187,691	35,967,583
Increase (Decrease) in Reserve for Inventory	16,085	(4,882)				11,203
Fund Balances at End of Year	<u>\$5,808,811</u>	<u>\$20,378,507</u>	<u>\$1,749,914</u>	<u>\$5,237,106</u>	<u>\$244,365</u>	<u>\$33,418,703</u>

The notes to the financial statements are an integral part of this statement.

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ALLEN COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$3,585,000	\$3,815,191	\$230,191	\$5,516,000	\$5,430,538	(\$85,462)
Permissive Sales Tax	9,200,000	9,394,165	194,165	315,455	310,800	(4,655)
Charges for Services	2,791,987	3,388,934	596,947	3,567,696	3,549,271	(18,425)
Licenses and Permits	14,150	10,484	(3,666)	2,892,000	3,253,874	361,874
Fines and Forfeitures	160,000	141,535	(18,465)	237,487	255,805	18,318
Intergovernmental	2,976,100	3,007,632	31,532	34,431,364	24,830,467	(9,600,897)
Special Assessments				281,905	159,533	(122,372)
Tap Fees						
Investment Income	2,000,000	2,342,572	342,572	100,000	73,721	(26,279)
Rental Income	332,600	527,645	195,045	527,000	462,874	(64,126)
Other	91,100	90,427	(673)	751,352	694,021	(57,331)
Total Revenues	21,150,937	22,718,585	1,567,648	48,620,259	39,020,904	(9,599,355)
Expenditures:						
Current						
General Government						
Legislative and Executive	9,462,964	8,713,329	749,635	4,647,484	3,231,252	1,416,232
Judicial	5,980,874	5,587,256	393,618	4,407,037	3,535,071	871,966
Public Safety	8,118,546	7,836,183	282,363	1,397,335	1,282,019	115,316
Public Works	457,152	351,538	105,614	9,731,771	7,608,976	2,122,795
Health	288,904	277,115	11,789	13,155,740	10,566,920	2,588,820
Human Services	457,740	378,940	78,800	24,081,621	18,125,598	5,956,023
Conservation and Recreation	812,383	794,728	17,655	781,858	744,789	37,069
Other						
Capital Outlay						
Intergovernmental	116,000	116,000				
Debt Service						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	25,694,563	24,055,089	1,639,474	58,202,846	45,094,625	13,108,221
Excess of Revenues Over (Under) Expenditures	(4,543,626)	(1,336,504)	3,207,122	(9,582,587)	(6,073,721)	3,508,866
Other Financing Sources (Uses):						
Other Financing Sources	119,000	119,588	588	653,457	682,949	29,492
Other Financing Uses						
Proceeds of Bonds						
Proceeds of Notes						
Sale of Fixed Assets						
Advances - In	240,000	162,860	(77,140)	287,000	274,792	(12,208)
Advances - Out	(354,440)	(339,529)	14,911	(74,792)	(44,792)	30,000
Operating Transfers - In	409,474	308,261	(101,213)	1,304,633	477,944	(826,689)
Operating Transfers - Out	(539,641)	(475,930)	63,711	(2,586,341)	(2,352,481)	233,860
Total Other Sources (Uses)	(125,607)	(224,750)	(99,143)	(416,043)	(961,588)	(545,545)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,669,233)	(1,561,254)	3,107,979	(9,998,630)	(7,035,309)	2,963,321
Fund Balances at Beninning of Year	5,522,022	5,522,022		15,584,528	15,584,528	
Prior Year Encumbrances Appropriated	480,081	480,081		5,256,622	5,256,622	
Fund Balances at End of Year	\$1,332,870	\$4,440,849	\$3,107,979	\$10,842,520	\$13,805,841	\$2,963,321

The notes to the financial statements are an integral part of this statement.

Debt Service Funds			Capital Projects Funds			Expendable Trust Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			\$481,650	\$462,117	(\$19,533)			
\$1,191,600	\$1,191,600		890,000	1,754,400	864,400			
			3,343,678	1,002,023	(2,341,655)			
988,997	969,614	(\$19,383)	1,520,495	860,637	(659,858)			
	51,549	51,549						
11,000	12,241	1,241	383,650	194,104	(189,546)	\$2,000		(\$2,000)
				29,186	29,186			
2,000		(2,000)	1,603,800	592,219	(1,011,581)		\$60,677	60,677
2,193,597	2,225,004	31,407	8,223,273	4,894,686	(3,328,587)	2,000	60,677	58,677
						90,000	1,953	88,047
			333,317	333,317				
253,309	1,400	251,909	17,724,689	4,580,444	13,144,245			
1,124,000	1,124,000		21,167,375	16,532,500	4,634,875			
984,818	983,080	1,738	879,432	709,271	170,161			
2,362,127	2,108,480	253,647	40,104,813	22,155,532	17,949,281	90,000	1,953	88,047
(168,530)	116,524	285,054	(31,881,540)	(17,260,846)	14,620,694	(88,000)	58,724	146,724
			55,500	16,392	(39,108)			
			10,014,805	8,570,883	(1,443,922)			
			21,835,407	6,938,100	(14,897,307)			
			555,000		(555,000)			
			188,783	371,213	182,430			
			(346,746)	(270,458)	76,288			
23,470	125,476	102,006	2,137,871	2,044,344	(93,527)			
(4,386)		4,386	(122,293)	(117,174)	5,119			
19,084	125,476	106,392	34,318,327	17,553,300	(16,765,027)			
(149,446)	242,000	391,446	2,436,787	292,454	(2,144,333)	(88,000)	58,724	146,724
1,498,555	1,498,555		4,991,030	4,991,030		155,384	155,384	
			725,229	725,229				
\$1,349,109	\$1,740,555	\$391,446	\$8,153,046	\$6,008,713	(\$2,144,333)	\$67,384	\$214,108	\$146,724

ALLEN COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND-PRIMARY GOVERNMENT
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	
Operating Revenues:				
Charges for Services	\$3,612,281	\$3,591,915		\$7,204,196
Tap-In Fees	212,955			212,955
Interest Income			\$78	78
Intergovernmental	823			823
Other Operating Revenues	50,577	139,299		189,876
Total Operating Revenues	<u>3,876,636</u>	<u>3,731,214</u>	<u>78</u>	<u>7,607,928</u>
Operating Expenses:				
Personal Services	1,383,816			1,383,816
Contractual Services	875,189	138,801		1,013,990
Materials and Supplies	256,645	4,877		261,522
Claims		3,828,250		3,828,250
Depreciation	1,117,784			1,117,784
Total Operating Expenses	<u>3,633,434</u>	<u>3,971,928</u>		<u>7,605,362</u>
Operating Income (Loss)	<u>243,202</u>	<u>(240,714)</u>	<u>78</u>	<u>2,566</u>
Non-Operating Revenues (Expenses):				
Capital Contributions	865,400			865,400
Interest Income	43,944	7,012		50,956
Loss on Disposal of Fixed Assets	(6,515)			(6,515)
Interest and Fiscal Charges	(432,146)			(432,146)
Total Non-Operating Revenues (Expenses)	<u>470,683</u>	<u>7,012</u>		<u>477,695</u>
Net Income (Loss) Before Operating Transfers	713,885	(233,702)	78	480,261
Operating Transfers - Out	(10,440)			(10,440)
Net Income (Loss)	<u>703,445</u>	<u>(233,702)</u>	<u>78</u>	<u>469,821</u>
Depreciation on Fixed Assets Acquired by Contributed Capital	221,076			221,076
Retained Earnings/Fund Balance (Deficit) at Beginning of Year	<u>7,619,212</u>	<u>(651,662)</u>	<u>19,551</u>	<u>6,987,101</u>
Retained Earnings/Fund Balance at End of Year	<u>8,543,733</u>	<u>(885,364)</u>	<u>19,629</u>	<u>7,677,998</u>
Contributed Capital at Beginning of Year	15,372,577	300,000		15,672,577
Depreciation on Fixed Assets Acquired by Contributed Capital	(221,076)			(221,076)
Contributed Capital at End of Year	<u>15,151,501</u>	<u>300,000</u>		<u>15,451,501</u>
Total Fund Equity (Deficit) at End of Year	<u>\$23,695,234</u>	<u>(\$585,364)</u>	<u>\$19,629</u>	<u>\$23,129,499</u>

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF INCOME, EXPENSES, AND CHANGES
IN FUND BALANCES-DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2001**

Income:	
Contracts	\$621,440
Services	23,620
Restaurant Income	16,175
Unrealized Loss on Investments	(24,997)
Rental Income	81,025
Interest Income	445
Other Income	<u>8,477</u>
Total Income	<u>726,185</u>
 Expenses:	
Personal Services	577,348
Contract and Other Services	268,919
Materials and Supplies	42,506
Other Expenses	24,936
Interest	19,093
Depreciation	<u>64,604</u>
Total Expenses	<u>997,406</u>
 Excess of Expenses Over Income	 <u>(271,221)</u>
 Other Income:	
Grant Income	77,500
Special Donations	1,796
Interest Income	31,144
Miscellaneous	<u>1,253</u>
Total Other Income	<u>111,693</u>
 Excess of Income and Other Income Over Expenses	 (159,528)
 Fund Balance Beginning of Year	 <u>1,397,029</u>
Fund Balance End of Year	<u><u>\$1,237,501</u></u>

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND-PRIMARY GOVERNMENT
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Enterprise Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Charges for Services	\$3,507,113	\$3,531,887	\$24,774
Tap-In Fees	360,000	206,343	(153,657)
Licenses, permits, and inspection		823	823
Intergovernmental			
Interest Income	13,144	18,259	5,115
Other Revenue	3,000	18	(2,982)
Other Financing Sources	366,520	50,559	(315,961)
Total Revenues	<u>4,249,777</u>	<u>3,807,889</u>	<u>(441,888)</u>
Expenses:			
Personal Services	1,436,181	1,355,010	81,171
Contractual Services	1,993,494	1,263,487	730,007
Materials and Supplies	273,471	251,417	22,054
Claims			
Other			
Capital Outlay	763,523	705,553	57,970
Debt Service			
Payment on Principal	286,574	285,827	747
Interest and Fiscal Charges	419,053	380,132	38,921
Total Expenses	<u>5,172,296</u>	<u>4,241,426</u>	<u>930,870</u>
Excess of Revenues Over (Under) Expenses	(922,519)	(433,537)	488,982
Advances-In	4,000	152,390	148,390
Advances - Out	(310,476)	(306,476)	4,000
Operating Transfers - In	113,465		(113,465)
Operating Transfers - Out	(954,158)	(10,440)	943,718
Excess of Revenues Over (Under) Expenses and Transfers and Advances	(2,069,688)	(598,063)	1,471,625
Fund Balance at Beginning of Year	3,629,933	3,629,933	
Prior Year Encumbrances Appropriated	187,888	187,888	
Fund Balance (Deficit) at End of Year	<u>\$1,748,133</u>	<u>\$3,219,758</u>	<u>\$1,471,625</u>

The notes to the financial statements are an integral part of this statement.

<u>Internal Service Fund</u>			<u>Non-Expendable Trust Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$3,035,100	\$3,591,915	\$556,815			
20,000	8,689	(\$11,311)	\$200	\$78	(\$122)
<u>25,000</u>	<u>139,299</u>	<u>\$114,299</u>			
<u>3,080,100</u>	<u>3,739,903</u>	<u>\$659,803</u>	<u>200</u>	<u>78</u>	<u>(\$122)</u>
220,500	138,801	\$81,699			
7,800	4,877	\$2,923			
2,997,900	3,921,351	(\$923,451)			
<u>3,226,200</u>	<u>4,065,029</u>	<u>\$838,829</u>			
(146,100)	(325,126)	(\$179,026)	200	78	(\$122)
200,000		(\$200,000)			
<u>(200,000)</u>		<u>\$200,000</u>			
(146,100)	(325,126)	(\$179,026)	200	78	(\$122)
296,886	296,886		12,498	12,498	
<u>\$150,786</u>	<u>(\$28,240)</u>	<u>(\$179,026)</u>	<u>\$12,698</u>	<u>\$12,576</u>	<u>(\$122)</u>

ALLEN COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNI
PRIMARY GOVERNMENT
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
Increase (Decrease) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$3,539,322	\$626,687		\$4,166,009
Cash Received from Tap In Fees	\$206,343			\$206,343
Cash Received from Other Governments				
Cash Received from Quasi-External Transactions with Other Funds		2,965,228		2,965,228
Cash Received from Stop Loss Insurance		98,164		98,164
Cash Payments to Employees for Services	(1,355,010)			(1,355,010)
Cash Payments for Contractual Services	(790,329)	(138,801)		(929,130)
Cash Payments for Materials and Supplies	(244,068)	(4,877)		(248,945)
Cash Payments for Claims		(3,921,351)		(3,921,351)
Other Cash Received	50,577	41,135		91,712
Net Cash Provided by (Used for) Operating Activities	1,406,835	(333,815)		1,073,020
Cash Flows from Noncapital Financial Activities:				
Advances from other Funds	152,390			152,390
Advances to other funds	(306,476)			(306,476)
Operating Transfers to other Funds	(10,440)			(10,440)
Net Cash Used for Noncapital Financial Activities	(164,526)			(164,526)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(854,927)			(854,927)
Principal Paid on Revenue Bonds	(255,000)			(255,000)
Interest and Fiscal Charges Paid on Revenue Bonds	(422,992)			(422,992)
Principal Paid on OWDA Loans	(15,126)			(15,126)
Principal Paid on Issue II Loan	(15,701)			(15,701)
Net Cash Used for Capital and Related Financing Activities	(1,563,746)			(1,563,746)
Cash Flows from Investing Activities:				
Cash Received from Interest Earnings	46,476	7,012	\$78	53,566
Net Increase (Decrease) in Cash and Cash Equivalents	(274,961)	(326,803)	78	(601,686)
Cash and Cash Equivalents at Beginning of Year	4,524,450	307,493	19,551	4,851,494
Cash and Cash Equivalents at End of Year	\$4,249,489	(\$19,310)	\$19,629	\$4,249,808
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$243,202	(\$240,714)	\$78	\$2,566
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used for) Operating Activities				
Depreciation	1,117,784			1,117,784
Interest Income			(78)	(78)
Change in Assets and Liabilities				
Increase in Accounts Receivable	(80,394)			(80,394)
Decrease in Inventory	(11,748)			(11,748)
Decrease in Accounts Payable	78,139			78,139
Increase in Contracts Payable	17,146			17,146
Increase in Accrued Wages	7,739			7,739
Increase in Compensated Absences	10,984			10,984
Decrease in Due to Other Governments	23,983			23,983
Decrease in Claims Payable		(93,101)		(93,101)
Net Cash Provided by (Used for) Operating Activities	\$1,406,835	(\$333,815)	\$0	\$1,073,020
Reconciliation of Cash and Cash Equivalents of Non-Expendable Trust Fund to Balance Sheet				
Cash and Cash Equivalents - All Trust and Agency Funds			\$14,574,995	
Cash and Cash Equivalents - Expendable Trusts, Investment Trusts and Agency Funds			(14,555,366)	
Cash and Cash Equivalents - Non-Expendable Trust Fund			\$19,629	

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2001**

Increase in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$718,267
Interest Received	31,589
Donations Received	1,796
Rents and Grants Received	158,525
Cash Paid to Suppliers and Employees	(916,040)
Interest Paid	(19,029)
Miscellaneous Income	9,730
Net Cash Provided by Operating Activities	<u>(15,162)</u>
Cash Flows from Investing Activities:	
Proceeds from Certificates of Deposit	283,753
Purchase of Certificates of Deposit	(226,117)
Proceeds from Investments	9,675
Purchase of Investments	(19,329)
Purchase of Equipment	(13,899)
Purchase of Property	(106,185)
Net Cash Used for Investing Activities	<u>(72,102)</u>
Cash Flows from Financing Activities:	
Proceeds from Long-Term Debt	28,169
Payment of Long-Term Debt	(17,543)
Net Cash Provided by Financing Activities	<u>10,626</u>
Net Decrease in Cash and Cash Equivalents	(76,638)
Cash and Cash Equivalents at Beginning of Year	<u>202,883</u>
Cash and Cash Equivalents at End of Year	<u><u>\$126,245</u></u>
Reconciliation of Net Income to Cash Provided by Operating Activities	
Excess of Income and Other Income over Expenses	(\$159,528)
Adjustments to Reconcile Excess of Income and Other Income Over Expenses Cash Provided by Operating Activities:	
Depreciation	64,604
Unrealized Loss on Investments	24,997
Increase in Assets	
Accounts Receivable	57,032
Prepaid Expenses	3,718
Decrease in Liabilities	
Accounts Payable and Accrued Expenses	(6,049)
Accrued Interest Expense	64
Net Cash Provided by Operating Activities	<u><u>(\$15,162)</u></u>

The notes to the financial statements are an integral part of this statement.

ALLEN COUNTY FINANCIAL CONDITION
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	Investment Trust
Revenues:	
Interest Income	\$136,006
Expenses:	
Operating Expenses	
Net Increase in Assets Resulting from Operations	136,006
Distribution to Participants	(264,966)
Capital Transactions	95,889
Total Increase in Net Assets	(33,071)
Net Assets Beginning of Year	3,031,942
Net Assets End of Year	\$2,998,871

The notes to the financial statement is an integral part of this statement

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

1. REPORTING ENTITY AND BASIS OF PRESENTATION

A. The County

Allen County, Ohio (The County), was established in 1831. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County who manage various segments of the County's operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, two Common Pleas Court Judges, a Probate/Juvenile Court Judge, and a Domestic Relations Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the County, including each of these departments.

B. Reporting Entity

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Allen County, this includes the Child Support Enforcement Agency, the Children's Services Board, the Board of Mental Retardation and Developmental Disabilities, the Veterans' Memorial Civic and Convention Center, the Department of Job and Family Services, and all departments and activities that are directly operated by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt or the levying of taxes.

The component unit column in the combined financial statements identifies the financial data of the County's component units. They are reported separately to emphasize that they are legally separate from the County. The discretely presented component units of Allen County are:

Marimor Industries, Inc. - Marimor Industries, Inc. (the "Workshop") is a legally separate, non-profit organization served by a self-appointing board of trustees. The Workshop was incorporated in 1968 to provide an opportunity for employment, training, and supportive services for persons with developmental disabilities. The Allen County Board of MRDD provides the Workshop with expenses and personnel for operation of the Workshop including staff salaries and benefits and certain operating expenses and fixed assets. Based on the significant services and resources provided by the County to the Workshop and the Workshop's sole purpose of providing assistance to the retarded and handicapped adults of Allen County, the Workshop is reflected as a component unit of Allen County. Marimor Industries operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from Marimor Industries, Inc., 2450 Ada Road, Lima, Ohio 45801.

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

LODDI, Inc. - LODDI, Inc. (Living Options for Developmentally Disabled Individuals) is a legally separate, non-profit organization served by a self-appointing board of trustees. LODDI was incorporated on December 1, 1992, to provide lifetime affordable housing to people in Allen County with developmental disabilities. Due to a significant portion of the organization's income being received from the Allen County Board of MRDD and because MRDD assumes the responsibility for debts upon dissolution of LODDI, LODDI, Inc. is reflected as a component unit of Allen County. LODDI operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from LODDI, Inc., 2450 Ada Road, Lima, Ohio 45801.

The County participates in the following joint ventures, jointly governed organizations, and insurance pool, which are discussed in Notes 20, 21, and 22 to the combined financial statements.

Lima-Allen County Downtown Construction
Mental Health and Recovery Services of Allen, Auglaize, and Hardin Counties
Workforce Investment Act
Lima-Allen County Regional Planning Commission
Joint Solid Waste Management District
Western Ohio Regional Treatment and Habilitation (WORTH) Center
Lima-Allen County Joint Parking Commission
County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County Treasurer, as the custodian of public funds, invests all public monies held on deposit in the County treasury. In the case of the legally separate agencies, boards and commissions listed below, the County serves as fiscal agent but the organizations are not considered a part of Allen County. Accordingly, the activity of the following districts and agencies are presented as agency funds, with the exception of the Joint Solid Waste Management District and Metropolitan Park Board, which are presented as internal investment trust funds, within the County's financial statements:

Mental Health and Recovery Services of Allen, Auglaize, and Hardin Counties
Allen County Soil and Water Conservation
District Board of Health
District Court of Appeals
Family and Children First Council
Lima-Allen County Regional Planning Commission
Mid-Western Ohio Planning Commission
Special Emergency Planning Commission
Western Ohio Regional Training and Habilitation (WORTH) Center

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

The County also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described below.

The information provided in the notes to the financial statements relates generally to the primary government. Information related to the Workshop and LODDI, Inc. is specifically identified.

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the County's governmental fund types:

General Fund - This fund is used to account for all financial resources of the County except those required to be accounted for in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - These funds are used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs and special assessment long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Proprietary Fund Types

The proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. The following are the County's proprietary fund types:

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Service Fund - The internal service fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis.

3. Fiduciary Fund Types

These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following are the County's fiduciary fund types:

Expendable Trust Funds - These funds are accounted for in essentially the same manner as governmental funds.

Non-Expendable Trust Fund - This fund is accounted for in essentially the same manner as proprietary funds.

Investment Trust Funds - These funds are accounted for on the accrual basis.

Agency Funds - These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - The general fixed assets account group is used to account for all fixed assets of the County, other than those fixed assets accounted for in the proprietary funds.

General Long Term Obligations Account Group - The general long term obligations account group is used to account for all long-term obligations of the County, except that accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

1. Primary Government

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types, the non-expendable trust fund and investment trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings and contributed capital components for proprietary fund types or held in trust for pool participants for the investment trust fund. Operating statements of these funds present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the County is thirty-one days after year end.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within thirty-one days of fiscal year end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, sales taxes, payment in lieu of taxes, grants, and interest.

The County reports deferred revenues on its combined balance sheet. Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Principal and interest on general and special assessment long-term obligations are recorded as fund liabilities when due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types, non-expendable trust fund, and the investment trust funds. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

2. Component Units

The discretely presented component units utilize the proprietary accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than investment trust and agency funds, are legally required to be budgeted and appropriated.

The legal level of budgetary control is at the object level within each department. Although statutory law requires that all funds be budgeted, it is not necessary to do so if the County Commissioners do not anticipate expending the available funds. Segregated cash accounts are not included in the budgetary presentation because they are not controlled by the County Commissioners and do not adopt separate budgets. Budgetary modifications may only be made by resolution of the County Commissioners.

Budgetary information for Marimor Industries and LODDI (component units) is not reported because they are not included in the entity for which the "appropriated budget" is adopted and do not maintain separate budgetary records.

1. Tax Budget

A budget of estimated revenues and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

2. Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of the year fund balance and projected revenue of each fund.

Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered balances from the preceding year. The certificate of estimated resources may be amended further during the year if the County Auditor determines, and the County Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported in the revised budget column on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

3. Appropriations

A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriations resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications passed during 2001.

4. Budgeted Level of Expenditures

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for the purposes other than those designated in the appropriation resolution without authority from the Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. Commissioners' appropriations are made to fund, department and object level (i.e. General Fund - Commissioners - salaries, supplies, equipment, contract repairs, travel expenses, maintenance, other expenses, etc.).

5. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

6. Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not re-appropriated.

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

To improve cash management, cash received by the County, except cash in segregated accounts, is pooled and invested. Individual fund integrity is maintained through County records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer or held separately for the County by a trustee are recorded on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" or "Cash and Cash Equivalents with Trustees", respectively.

Cash and cash equivalents and investments of Marimor Industries, Inc. and LODDI, Inc. are held by the component unit and are recorded on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" or "Investments in Segregated Accounts".

Investments are reported at fair value except for commercial paper, repurchase agreements and non-negotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2001.)

Following Ohio statutes, the County has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund during 2001 amounted to \$2,594,630, which includes \$2,222,484 assigned from other County funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents.

E. Receivables and Payables

Receivables and payables to be recorded on the County's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Using this criteria, the County has elected not to record child support arrearages within the Special Revenue and Agency fund types. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

F. Materials and Supplies Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and expensed in the proprietary fund types when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense in the year in which services are consumed

H. Unamortized Bond Issuance Costs

Unamortized bond issuance costs consist of underwriting fees and other costs incurred in the issuance of bonds which are deferred and amortized over the life of the related bonds.

I. Restricted Assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

J. Fixed Assets and Depreciation

Fixed asset values initially were determined at December 31, 1990, assigning original acquisition costs when such information was available. In cases when original costs were not practicably determinable, estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. The County has established a capitalization threshold for fixed assets of \$500.

General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group at historical cost or estimated historical cost. Assets in the General Fixed Assets Account Group are not depreciated. Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the County.

Enterprise Fund Fixed Assets

Fixed assets reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Description	Estimated Lives
Infrastructure	15-35 years
Buildings	35 years
Machinery and Equipment	10 years
Licensed Vehicles	6 years

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest is capitalized when necessary on all proprietary fund assets acquired with debt. The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. For 2001, interest cost incurred was immaterial.

Component Units

Property and equipment are recorded at cost. Donated equipment is recorded at its fair market value at the date donated. Depreciation is provided on the straight-line method, with estimated useful lives of forty years for buildings and ranging from three to seven years for equipment.

K. Interfund Assets and Liabilities

Receivables and payables arising between funds for goods provided, services rendered and distributions to be made to other County funds by agency funds are classified as "due from other funds" or "due to other funds" on the balance sheet.

Long-term interfund loans are reported as advances to/from other funds and are equally offset by a fund balance reserve account which indicates that they do not constitute "available expendable resources" since they are not a component of net current assets.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued and Long-Term Liabilities

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and contractually required pension obligations are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Bonds, notes, loans, and capital leases are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under Ohio Law, a debt retirement fund may be created and used for the payment of all tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the County's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

N. Unamortized Discounts on Bonds

In governmental funds, bond discounts are recognized in the current period. In proprietary funds, the unamortized discounts on bonds are presented as a reduction of the face amount of bonds payable and amortized over the remaining life of those bonds. On the balance sheet, the revenue bonds payable are presented net of the unamortized discount.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds prior to 2001, that are not subject to repayment. These assets were recorded at their fair market value on the date contributed. Depreciation on assets acquired or constructed with capital grants is expensed and closed to contributed capital at year end.

As more fully described in Note 3, the County implemented GASB Statement No. 33 during the year 2001. In accordance with GASB 33, the County recorded \$865,400 as capital contributions in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances.

P. Reservations of Fund Equity

The County records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available, expendable resources and, therefore, are not available for expenditure. Unreserved fund balance/retained earnings indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, inventory, advances, non-expendable trust fund contributions, and loans, which represent community development block grant monies loaned to local businesses and individuals and for Craft Educational Expendable Trust fund monies loaned to college students. Retained earnings reserves have been established for debt service, plant improvement and replacement, and for operations of the enterprise fund as a requirement of the revenue bond covenants.

Q. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

R. Interfund Transactions

During the course of normal operations the County has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonrecurring and non-routine transfers of equity between funds, capital contributions to the Enterprise fund, the subsequent return of all or part of such contributions, and the transfer of residual balances of discontinued funds or projects to the General fund, Capital Projects funds, or Debt Service funds (when financed with debt proceeds) are classified as residual equity transfers.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed. Quasi-external transactions are accounted for as revenues and expenditures or expenses.

S. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

T. Total Columns on General Purpose Financial Statements

Total Columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

When the title of a statement indicates that component units are included, two total columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "Reporting Entity" and includes the activity and operations of the County's legally separate discretely presented component units (see Note 1). The total column on statements which do not include component units have no additional caption.

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the County has implemented Governmental Accounting Standards Board Statement (GASB) No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*" and GASB Statement No. 36, "*Recipient Reporting for Certain Shared Nonexchange Revenues*".

GASB Statement No. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing of recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established in GASB Statement No. 33 for accrual-basis recognition will have been met and the revenues will be available.

The provisions of GASB Statement No. 33, also require that capital contributions to proprietary funds be recognized as revenues, beginning in 2001.

The restatement for GASB Statements No. 33 and No. 36 had no material effects on fund balances as of December 31, 2000.

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances/retained earnings as of December 31, 2001:

	<u>Deficit</u>
Special Revenue Fund:	
Dog and Kennel	\$114,250
Capital Projects Funds:	
Detailed Planning – Sewer	168,465
Special Assessments Notes - Ditches	435,198
Internal Service Fund:	
Health Insurance Plan	585,364

The deficits in the Special Revenue and Capital Projects Funds are the result of applying generally accepted accounting principles.

The Health Insurance Plan Internal Service fund had a negative cash balance of \$28,240 at December 31, 2001. The deficit in the retained earnings is due in part to the negative cash balance and also due to recording the claims payable at December 31, 2001.

B. Compliance

The following accounts had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2001:

	Appropriations	Expenditures Plus Encumbrance	Excess
Self Insurance Internal Service Fund:			
Claims	\$2,997,900	\$3,921,351	\$ 923,451
Capital Project Funds			
Capital Outlay	0	1,593,160	1,593,160

5. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balances/fund equity on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual, All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Proprietary Fund Types and Non-expendable Trust Fund - Primary Government, are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

The major differences between the budget basis and the GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis) and note disclosure for proprietary fund types and non-expendable trust funds (GAAP basis).
- d. For proprietary funds and non-expendable trust funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- e. Cash accounts which are held separately by the County are not budgeted but are recorded on the GAAP basis as Cash and Cash Equivalents in Segregated Accounts.
- f. Principal payments on proprietary long-term obligations are reported on the operating statement (budget basis), rather than as balance sheet transactions (GAAP basis).

Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Funds				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$1,205,986)	(\$2,549,500)	\$163,477	\$975,252	\$56,674
Increase (Decrease) Due					
Revenue Accruals	139,057	(117,265)	360	61,905	0
Expenditure Accruals	25,394	(147,596)	78,163	376,672	0
Prepaid Items	(32,642)	878	0	0	0
Outside Cash	(9,917)	(29,592)	0	0	0
Revolving Loans:					
New Loans	0	0	0	0	(300)
Repayments	0	18,492	0	0	2,350
Advances – In	162,860	255,000	0	371,213	0
Advances – Out	(339,529)	(25,000)	0	(270,458)	0
Encumbrances Outstanding at					
Year End (Budget Basis)	<u>(300,491)</u>	<u>(4,440,726)</u>	0	<u>(1,222,130)</u>	0
Budget Basis	<u><u>(\$1,561,254)</u></u>	<u><u>(\$7,035,309)</u></u>	<u><u>\$242,000</u></u>	<u><u>\$292,454</u></u>	<u><u>\$58,724</u></u>

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Income (Loss)/Excess of Revenues Over (Under) Expenses and Advances All Proprietary Fund Types and Nonexpendable Trust Fund			
	Enterprise	Internal Service	Non- Expendable Trust
GAAP Basis	\$703,445	(\$233,702)	\$78
Increase (Decrease) Due To			
Revenue Accruals	(948,740)	1,677	0
Expense Accruals	136,950	(93,101)	0
Materials and Supplies Inventory	(11,748)	0	0
Outside Cash	13,509	0	0
Acquisition of Fixed Assets	(854,927)	0	0
Depreciation Expense	1,117,784	0	0
Loss on Disposal of Fixed Assets	6,515	0	0
Advances-In	152,390	0	0
Advances-Out	(306,476)	0	0
Loan Principal Retirement	(30,827)	0	0
Bond Principal Retirement	(255,000)	0	0
Amortization of Bond Discount	3,780	0	0
Amortization of Bond Issuance Cost	6,415	0	0
Encumbrances Outstanding at Year	(331,133)	0	0
Budget Basis	<u>(\$598,063)</u>	<u>(\$325,126)</u>	<u>\$78</u>

6. DEPOSITS AND INVESTMENTS

A. Primary Government

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the County which are not considered active are classified as inactive. Inactive monies can be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

6. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio;

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At year-end, the County had \$180,886 in undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "*Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*".

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

At year-end, the carrying amount of the County's deposits was \$580,724, and the bank balance was \$2,344,657. Of the bank balance, \$911,467 was covered by federal depository insurance. The remaining amount of \$1,433,190 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed and for some deposits collateral was held by pledging financial institutions' trust department in the County's name, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered for which the securities are held by the County or by the County's agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. Money market funds, mutual funds, and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Federal Farm Credit Bank Notes	\$ 5,029,687	\$ 5,029,687	\$ 5,029,687
Federal Home Loan Bank Notes	1,800,260	1,800,260	1,800,260
Federal Home Mortgage Corporation	8,022,600	8,022,600	8,022,600
Federal National Mortgage Association	18,980,850	18,980,850	18,980,850
Repurchase Agreements	788,299	788,299	788,299
	<u>\$34,621,696</u>	34,621,696	34,621,696
Star Ohio		14,603,230	14,603,230
U. S. Treasury Security Money Market		691,986	691,986
Bank One Money Market		1,728,445	1,728,445
Grand Total		<u>\$ 51,645,357</u>	<u>\$ 51,645,357</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting"*. A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Deposits	Investments
GASB Statement 9	52,406,967	
Cash on Hand	(180,886)	
Investments:		
Federal Farm Credit Bank Notes	\$ (5,029,687)	5,029,687
Federal Home Loan Bank Notes	(1,800,260)	1,800,260
Federal Home Mortgage Corporation	(8,022,600)	8,022,600
Federal National Mortgage Association	(18,980,850)	18,980,850
Repurchase Agreements	(788,299)	788,299
Star Ohio	(14,603,230)	14,603,230
U. S. Treasury Security Money Market	(691,986)	691,986
Bank One Money Market	(1,728,445)	1,728,445
GASB Statement 3	<u>\$ 580,724</u>	<u>\$ 51,645,357</u>

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

6. DEPOSITS AND INVESTMENTS (Continued)

B. Component Units

Marimor Industries, Inc. - At year end, the carrying amount of Marimor Industries, Inc. deposits was \$111,710. The investments are carried at fair market values. Of these investments, mutual funds have a fair value of \$208,555 and the long-term certificates of deposit have a fair value of \$258,089, for a total investment amount of \$466,644.

LODDI, Inc. - At year end, the carrying amount of LODDI, Inc. deposits was \$14,535. These amounts are classified as "Cash and Cash Equivalents and Investments in Segregated Accounts" on the balance sheet. There are no statutory guidelines regarding the deposit of funds by the not-for-profit corporations.

7. INVESTMENT POOL

The County serves as fiscal agent for the Metropolitan Park Board and the Joint Solid Waste Management District which are legally separate entities. The County pools the monies of these entities with the County's for investment purposes. The County cannot allocate its investments between the internal and external investment pools. The investment pool is not registered with the Securities Exchange Commission as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns.

Condensed financial information for the investment pool is as follows:

Statement of Net Assets	
December 31, 2001	
Equity in Pooled Cash and Cash Equivalents	\$48,181,340
Interest Receivable	347,050
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	2,162,792
Total Assets	\$50,691,182
Net Assets Held in Trust for Pool Participants	
Internal Portion	\$47,692,311
External Portion	2,998,871
Total Net Assets Held in Trust for Pool Participants	\$50,691,182

Statement of Changes in Net Assets	
Revenues	
Interest	\$3,041,085
Expenses	
Operating Expenses	-
Net Increase in Assets Resulting from Operations	3,041,085
Distribution to Participants	(2,914,630)
Capital Transactions	(2,254,426)
Total Decrease in Net Assets	(2,127,971)
Net Assets Beginning of Year	52,819,153
Net Assets End of Year	\$50,691,182

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

7. INVESTMENT POOL (Continued)

At year end, the carrying amount of the pools deposits was \$189,572 and the bank balance was \$1,143,950. Of the bank balance, \$102,442 was covered by federal depository insurance and \$1,041,508 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

At year end, the investments of the pool classified according to GASB Statement No. 3 were as follows:

	Category 3	Fair Value
Federal Farm Credit Bank Notes	\$5,029,687	\$5,029,687
Federal Home Loan Bank Notes	1,800,260	1,800,260
Federal Home Mortgage Corporation Notes	8,022,600	8,022,600
Federal National Mortgage Association	18,980,850	18,980,850
	<u>\$33,833,397</u>	33,833,397
STAR Ohio		14,438,883
Bank One Money Market		1,728,445
Total Investments		<u>\$50,000,725</u>

STAR Ohio accounts have an interest rate of 2.22 percent. Other investments interest rates and maturities are as follows:

	Interest Rate	
Federal Farm Credit Bank Notes	4.09 - 5.56%	September 2004 – October 2005
Federal Home Loan Bank Notes	4.875 - 5.51%	January 2002 - December 2003
Federal Home Loan Mortgage	3.47 - 5.00%	June 2002 - August 2004
Federal National Mortgage	2.20 - 5.90%	July 2002 - February 2006

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposit	Investments
GASB Statement No. 9	\$ 50,344,132	\$ -
Cash on Hand	(153,835)	-
Investments:		
Federal Farm Credit Bank Notes	(5,029,687)	5,029,687
Federal Home Loan Bank Notes	(1,800,260)	1,800,260
Federal Home Mortgages Corporation Notes	(8,022,600)	8,022,600
Federal National Mortgage Association	(18,980,850)	18,980,850
STAR Ohio	(14,438,883)	14,438,883
Bank One Money Market	(1,728,445)	1,728,445
GASB Statement No. 3	<u>\$ 189,572</u>	<u>\$ 50,000,725</u>

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

8. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date.

Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last reappraisal was completed in the year 2000. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable by June 20, unless extended.

Public utility real, and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Taxes collected on tangible personal property (other than public utility property) in one calendar year are levied in the prior calendar year on assessed values as of December 31 of the current year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single-county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing district their portion of taxes collected. The collection and distribution of taxes for the County and for all subdivisions within the County is accounted for through agency funds. The amount of the County's tax collections which will flow through an agency fund is reported as "Taxes Receivable" on the combined balance sheet in both the agency fund and the governmental fund which will receive the tax distribution.

Accrued property taxes receivable represents delinquent taxes outstanding and real, public utility, and tangible personal property taxes which were measurable and unpaid as of December 31, 2001. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2001 operations.

The full tax rate for all County operations for the year ended December 31, 2001 was \$7.70 per \$1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 2001 property tax receipts were based are as follows:

Real Property	\$1,191,028,540
Public Utility Personal Property	118,793,090
Tangible Personal Property	397,654,809
Total Assessed Value	<u><u>\$1,707,476,439</u></u>

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

9. PERMISSIVE SALES AND USE TAX

In 1967, the County Commissioners by resolution imposed a one percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection.

The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited to the General Fund (\$9,434,384), the 911 Systems and the Jail Maintenance Special Revenue Funds (\$310,800), the General Obligation Bond Retirement Debt Service Fund (\$1,191,600), and the Building and Expansion and Economic Development Capital Projects Funds (\$1,706,700), for a total amount of \$12,643,484 received in 2001. Amounts that are to be received within the available period are accrued as revenue.

10. RECEIVABLES

Receivables at December 31, 2001, consisted of taxes, interest, special assessments, accounts (billings for user charged services, including unbilled utility services), loans, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

The County has three types of loans receivable. Some represent zero to six percent loans for home improvements granted to eligible County residents under the Federal Community Development Block Grant program. These loans are to be repaid over periods ranging from ten to thirty years.

Some loans are zero interest loans for college tuition granted to recipients of the Craft Educational Trust Scholarship. Beginning three years after the recipient graduates from college, sixty percent of the awarded scholarship is to be repaid over the next five years.

The remaining forty percent is not required to be repaid and therefore is not recorded as part of loans receivable. Additionally, the County has loaned money to the Port Authority of Allen County for economic development. This money will be repaid to the County with zero interest.

A summary of the principal items of due from other governments follows:

General Fund:	Amount
Defense of Indigents	\$118,183
Juvenile Court Subsidy	155,660
Local Government	24,011
Parking Garage Joint Venture	23,346
Sheriff's Contracts	20,500
Refund of PERS Overpayment	13,704
Juvenile Court Housing/Treatment	8,312
Juvenile Center Breakfast/Lunch	4,041
Fines and Costs	1,284
Total General Fund	<u>369,041</u>

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

10. RECEIVABLES (Continued)

Special Revenue Funds:	Amount
Job and Family Services Retro Payment	412,827
Adult Probation Grants	192,726
Sheriff Reimbursable Grants	89,502
Gasoline Tax - Excise Tax	115,768
CAFS Reimbursement	121,595
MRDD Reimbursable Grants	60,947
Motor Vehicle License Tax	111,069
Juvenile Court Grants	69,243
Permissive Motor Vehicle License Tax	17,257
Community Development Grant	952,552
Fines and Costs	11,702
Refund of PERS Overpayment	2,527
County Engineer Services	663
Total Special Revenue Funds	<u>2,158,378</u>
Capital Projects Funds:	
Industrial Park Grant	1,010,361
County Engineer Grants	558,958
Total Capital Projects Funds	<u>1,569,319</u>
Agency Funds:	
Library Local Government	312,956
Local Government	390,790
Gasoline Tax - Excise	50,280
Motor Vehicle License Tax	31,154
Permissive Motor Vehicle License Tax	17,051
Total Agency Funds	<u>802,231</u>
Total All Funds	<u><u>\$4,898,969</u></u>

11. FIXED ASSETS

A summary of the enterprise funds' and the component units' fixed assets at December 31, 2001, follows:

	Primary Government Enterprise Fund	Component Units
Land	\$ 51,219	\$ 91,263
Buildings	7,717,680	704,545
Machinery and Equipment	794,464	519,330
Licensed Vehicles	549,181	-
Infrastructure	30,345,591	-
Construction in Progress	70,400	-
Total	<u>39,528,535</u>	<u>1,315,138</u>
Less Accumulated Depreciation	<u>(14,105,210)</u>	<u>(492,439)</u>
Fixed Assets Net of Accumulated Depreciation	<u><u>\$ 25,423,325</u></u>	<u><u>\$ 822,699</u></u>

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

11. FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during 2001 follows:

	December 2000	Additions	Deletions	December 2001
Land	\$5,147,590	295,110	0	5,442,700
Buildings	42,765,293	182,754	0	42,948,047
Machinery and Equipment	1,385,961	256,466	201,505	1,440,922
Licensed Vehicles	5,148,531	666,460	345,837	5,469,154
Office Furniture and Equipment	8,614,441	778,723	410,727	8,982,437
Construction in Progress	5,741	0	5,741	0
Total	<u>\$63,067,557</u>	<u>\$2,179,513</u>	<u>\$963,810</u>	<u>\$64,283,260</u>

12. RISK MANAGEMENT

A. Insurance Coverages

The County is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2001, the County contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Maximum	Deductible
Nationwide	MRDD School District Liability	\$5,000,000	\$1,000
Webb Insurance	CSEA Theft, Disappearance, and Destruction:		
	Outside	5,000	None
	Inside	20,000	None
	Treasurer's Commercial Crime-Inside	100,000	None
	Treasurer's Commercial Crime-Outside	20,000	None
Folsom-Somerville	Fleet Insurance	2,000,000	250 to 1000
	Excess Liability:		
	General	10,000,000	None
	Auto	1,000,000	
	Boiler & Machinery	10,000,000	250 to 1000
	General Liability - Voting Places	1,000,000	None
	Inland Marine-Voting Machines/Data & Hardware	2,559,778	None
	Law Enforcement Liability	2,000,000	25,000
	General Liability	2,000,000	None
	Public Officials	2,000,000	15,000
	Buildings and Business - Personal Property	135,361,500	500
	Earthquake	2,000,000	5%
	Inland Marine - Heavy Equipment	2,617,089	500 to 1000
	Commercial Crime	100,000	1,000
	Aviation Liability	2,000,000	1,000
	Aviation Physical Damage	210,000	5%

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

12. RISK MANAGEMENT (Continued)

Company	Type of Coverage	Maximum	Deductible
Stolly Insurance	Blanket Bond - Treasurer	50,000	None
	Commercial Crime (per employee)	25,000	None
	Petroleum Underground		
	Storage Tank Release	1,000,000	11,000
Lawyers Professional			
Liability Insurance	Prosecuting Attorney		
	Professional Liability	1,000,000	5,000
	Personal Injury	1,000,000	5,000
	Criminal Defense	50,000	500
	Disciplinary Proceedings	10,000	500

Settled claims have not exceeded coverage in the aggregate for the past three years. There has not been a significant reduction in coverage from the prior year. The County pays all elected officials' bonds by statute.

B. Workers' Compensation

For 2001, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan ("the Plan"), an insurance purchasing pool (see Note 22). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants.

The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's executive committee calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plans' selections criteria.

The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal and any participant leaving the Plan allows representatives of the Plan to access loss experience for three years following the last year of participation.

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

12. RISK MANAGEMENT (Continued)

C. Self-Insurance Program

The County established an Employee Health Insurance Fund (an internal service fund) to account for and finance employee health benefits. The Employee Health Care Plan is responsible for the first \$75,000 in aggregated claims per year per covered person. The stop-loss insurance covers the next \$81,000, and the County then covers the an additional \$81,000. Therefore, the County is responsible for a total of \$156,000 in claims per year per covered person. After that, stop-loss covers up to a lifetime maximum of \$1,925,000 per covered person.

The County had one occurrence in which settled claims exceeded coverage by the fund on an individual level for 2000 and three in 2001. Settled claims did not exceed coverage provided by the fund in the aggregate for the past three years.

All funds of the County except for the funds of the Child Support Enforcement Agency, Department of Job and Family Services, Health Department, and Marimor School participate in the program and make payments to the Employee Health Insurance Fund based on estimates of the annual cost of claims. These rates are paid by the fund from which the employees' compensation is paid.

Claims payable is based on the requirement of Governmental Accounting Standards Board Statement No. 30, *"Risk Financing Omnibus"*, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2001, are estimated by the third party administrator at \$566,054.

Year	Beginning of Year	Current-Year Claims and Changes in Estimates	Claims Payments	End of Year
2001	\$659,155	\$3,735,149	\$3,828,250	\$566,054
2000	697,396	3,051,782	3,090,023	659,155

13. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System (PERS)

All County employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report, which includes financial statements and required supplementary information. The report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 1-800-222-7377.

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

13. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. In January, 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs and deputy sheriffs with an employee contribution rate of 10.1 percent.

All other members of the PERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9 percent. The 2001 employer contribution rate for regular employees was 13.55 percent of covered payroll. 9.25 percent was the portion used to fund pension obligations, an increase from 6.54 percent in 2000. The 2001 employer contribution rate for both the law enforcement and public safety divisions was 16.7 percent of covered payroll. 12.4 percent was the portion used to fund pension obligations, an increase from 11.4 percent in 2000. Contributions are authorized by State statute and are determined actuarially.

The County's contributions to PERS for the years ended December 31, 2001, 2000, and 1999, were \$2,927,616, \$2,067,041, and \$2,627,398, respectively; 87 percent has been contributed for 2001 and 100 percent has been contributed for 2000 and 1999. The unpaid contribution for 2001 is recorded as a liability in the respective funds.

B. State Teachers Retirement System (STRS)

Certified teachers, employed by the school for the Mentally Retarded and Developmentally Disabled, participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system for certified teachers and other faculty members administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries.

Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614)227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary to fund pension obligations and the County is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations, an increase from 6 percent in 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The County's contributions to STRS for the years ending December 31, 2001, 2000, and 1999, were \$86,917, \$52,194, and \$87,844, respectively; 95 percent has been contributed for 2001 and 100 percent has been contributed for 2000 and 1999. The unpaid contribution for 2001 is recorded as a liability in the respective fund.

14. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available.

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

14. POSTEMPLOYMENT BENEFITS (Continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "*Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*". A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care based on authority granted by State statute.

The employer contribution rate for 2001 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 4.3 percent was the portion that was used to fund health care. During 2001, the PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The employer contribution rate for law enforcement and public safety employees for 2001 was 16.7 percent; 4.3 percent was used to fund health care.

An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on assets. The investment assumption rate for 2000 was 7.75 percent.

The annual increase of 4.75 percent compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from .54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2000, the actuarial value of the Retirement System's net assets available for OPEB were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively. The number of active contributing participants was 411,076. The County's actual contributions for 2001 which were used to fund OPEB were \$1,324,031.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS) provides access to health care benefits for retirees and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (O.R.C.), the State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums.

The Ohio Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

STRS allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the STRS allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$41,171 during 2001. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

15. OTHER EMPLOYER BENEFITS

Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service and standard work week. The County currently has different policies regarding vacation leave. All of the policies state that the County employees are paid for all earned, unused vacation leave at the time of termination of employment with more than one year of service with the County.

Employees earn sick leave at varying rates based on whether the employee is union or non-union. Upon retirement, employees with ten or more years of service are paid one-fourth of accumulated sick leave up to a maximum of thirty days.

Unpaid compensated absences of \$49,907 and \$92,810, respectively, were reported as an accrued liability in the general and special revenue funds. The balance of the liability for governmental funds is reported in the general long-term obligations account group in the amount of \$2,210,576. The accrual for unpaid compensated absences of \$85,017 was reported in the enterprise fund.

16. CAPITAL LEASES - LESSEE DISCLOSURE

The County has entered into capitalized leases for office equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Capital Outlay" and "Inception of Capital Leases" for governmental funds.

Capital leases are reported as a liability in the general long-term obligations account group. Capital lease payments are reflected as debt service expenditures for the governmental funds. Equipment acquired by lease has been capitalized in the General Fixed Assets Account Group at an amount equal to the present value of the future minimum lease payments at the time of acquisition. The carrying value of leased assets in the General Fixed Assets Account Group is \$123,085.

A corresponding liability was recorded in the general long-term obligations account group. Principal payments in 2001 totaled \$19,937 for the governmental funds.

Future minimum lease payments through 2006 for the governmental funds are as follows

Year	General Long- Term Obligation Account Group
2002	\$ 38,917
2003	29,325
2004	15,069
2005	10,571
2006	1,440
Total	<u>95,322</u>
Less: Amount Representing Interest	<u>(14,197)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 81,125</u></u>

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

17. LONG-TERM DEBT

The changes in the County's long-term obligations during the year consisted of the following:

	Balance 12/31/2000	Issued	Retired	Balance 12/31/2001
General Long-Term Obligations:				
Bond Anticipation Notes:				
General Obligation Notes:				
West Side of Interstate 75	\$2,285,000	\$2,285,000	\$2,285,000	\$2,285,000
Fort Shawnee Industrial Drive	1,100,000	1,100,000	1,100,000	1,100,000
East Side of Interstate 75	2,400,000	2,400,000	2,400,000	2,400,000
Downtown	1,270,000	0	1,270,000	0
Civic Center	4,450,000	0	4,450,000	0
Total General Obligation Notes	<u>11,505,000</u>	<u>5,785,000</u>	<u>11,505,000</u>	<u>5,785,000</u>
Special Assessment Notes:				
Bath Township Trustees	650,000	460,000	650,000	460,000
Bear Ditch	70,000	70,000	70,000	70,000
Bellinger Ditch #1188	132,000	42,000	132,000	42,000
Lehman Road Group #1182	5,000	0	5,000	0
Dug Run Ditch #1151	358,000	125,000	358,000	125,000
Spencerville Ditch #1202	0	76,500	0	76,500
Tom Ahl Ditch #1203	0	81,560	0	81,560
Southwood Waterline DPA	0	85,000	0	85,000
Early/Lutz Road Waterline	0	70,000	0	70,000
Berryman Waterline	0	22,000	0	22,000
Hamernik Ditch #1193	52,500	31,040	52,500	31,040
East Road Waterline	50,000	0	50,000	0
Ottawa River Bend	95,000	0	95,000	0
Allentown Sewer Improvement Area	865,000	0	865,000	0
Allentown Road Sewer Extension	10,000	0	10,000	0
Findlay Road Sewer Project	2,650,000	0	2,650,000	0
Oakview Subdivision Sewer	90,000	90,000	90,000	90,000
Total Special Assessment Notes	<u>5,027,500</u>	<u>1,153,100</u>	<u>5,027,500</u>	<u>1,153,100</u>
Total Bond Anticipation Notes	<u><u>\$16,532,500</u></u>	<u><u>\$6,938,100</u></u>	<u><u>\$16,532,500</u></u>	<u><u>\$6,938,100</u></u>
General Obligation Bonds:				
1993 County Office Building - 6.0%	\$ 3,010,000	\$ -	\$ 140,000	\$ 2,870,000
1993 County Justice Center - 6.0%	8,365,000	-	360,000	8,005,000
1994 Justice Center Escrow - 5.0/6.0%	35,000	-	35,000	-
2001 Downtown Parking - 3.3 to 5.0%	-	1,310,000	-	1,310,000
2001 Civic Center - 3.3 to 5.0%	-	4,230,000	-	4,230,000
Total General Obligation Bonds	<u><u>\$11,410,000</u></u>	<u><u>\$ 5,540,000</u></u>	<u><u>\$ 535,000</u></u>	<u><u>\$ 16,415,000</u></u>

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

17. LONG-TERM DEBT (Continued)

	Balance 12/31/2000	Issued	Retired	Balance 12/31/2001
General Long-Term Obligations:				
Special Assessment Bonds:				
1980 Sewer Project T-1P - 8.25%	\$ 10,000	\$ -	\$ 10,000	\$ -
1983 Bath-Perry Sewer - 9.75%	16,000	-	4,000	12,000
1985 St. John's Waterline - 8.875%	40,000	-	5,000	35,000
1990 Project #17-700, 17-800 - 5.9/7.2%	440,000	-	30,000	410,000
1991 Waterline Improvement - 4.75/6.9%	510,000	-	35,000	475,000
1992 Various Purpose Issue - 2.9/6.3 %	360,000	-	30,000	330,000
1993 Project #17-400, 17-500, 11-800 6.0%	2,750,000	-	355,000	2,395,000
1994 Ft. Shawnee Waterline - 6.5%	2,605,000	-	130,000	2,475,000
2001 Findlay/Ada/Stewart Road Sewer - 5.0%	-	2,132,158	-	2,132,158
2001 Allentown Road Sewer - 3.3/5.0%	-	865,000	-	865,000
2001 East Road Waterline - 3.3/5.0%	-	50,000	-	50,000
2001 Ottawa River Bend Waterline-3.3/5.0%	-	95,000	-	95,000
Total Special Assessment Bonds	<u>6,731,000</u>	<u>3,142,158</u>	<u>599,000</u>	<u>9,274,158</u>
Total Bonds Payable				
Other Long-Term Obligations:				
Compensated Absences Payable	2,014,082	196,494	-	2,210,576
Issue II Loan Payable - 0.00%	143,657	-	11,051	132,606
Capital Leases Payable	74,846	26,216	19,937	81,125
Total Other Long-Term Obligations	<u>2,232,585</u>	<u>222,710</u>	<u>30,988</u>	<u>2,424,307</u>
Total General Long-Term Obligations	<u>36,906,085</u>	<u>15,842,968</u>	<u>17,697,488</u>	<u>35,051,565</u>
Enterprise Fund Obligations:				
Revenue Bonds:				
1993 Sewer System -3.1/5.75%	7,415,740	3,780	255,000	7,164,520
Other Long-Term Obligations:				
Issue II Loan Payable - 0.00%	333,663	-	30,827	302,836
Total Enterprise Fund Obligations	<u>7,749,403</u>	<u>3,780</u>	<u>285,827</u>	<u>7,467,356</u>
Total Long-Term Obligations	<u>\$ 44,655,488</u>	<u>\$ 15,846,748</u>	<u>\$ 17,983,315</u>	<u>\$ 42,518,921</u>

The General Obligation and Special Assessment notes payable have been reported in General Long Term Obligations Account Group since it is the County's intention to refinance those short-term obligations on a long-term basis.

All general obligation bonds are supported by the full faith and credit of the County. General obligation bonds are presented as a liability in the general long-term obligations account group and will be paid from unvoted property taxes. Special assessment debt is backed by the full faith and credit of the County and will be paid from the proceeds of special assessments levied against benefited property owners. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet annual principal and interest payments.

The Issue II loan reflected in the enterprise fund will be paid from operating revenues of the sewer enterprise fund. The Issue II loan reflected in the General Long Term Obligations Account Group will be repaid from resources of the governmental funds.

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

17. LONG-TERM DEBT (Continued)

In May, 2001, Ohio Public Works Commission approved an Issue II loan in the amount of \$525,000 for the County to fund the Oakview Subdivision sewer project. This project has not yet begun, and therefore, the County has not yet received any loan proceeds.

On April 1, 1993, the County issued \$9,000,000 sewer system revenue bonds at 98.95% for twenty-five years with interest rates ranging from 3.10% to 5.75% for the construction of new treatment facilities in the American-Bath Subdistrict and Shawnee #2 Subdistrict to be paid from the enterprise fund. During 2001, \$3,780 of the discount was amortized and \$60,480 remains to be amortized in future years.

In conjunction with the issuance of the sewer system revenue bonds, the County entered into a trust agreement with Bank One Ohio Trust Company. This trust agreement requires that the County establish various accounts for the repayment of debt. Certain restricted assets in the sewer fund are held by the trustees in accordance with the trust agreement.

Restricted assets relating to the sewer revenue bonds consisted of the following at December 31, 2001:

Restricted Assets Held by the Trustee for Future Debt Service	\$ 691,795
Restricted Assets Held by the Trustee for Current Debt Service	191
Restricted Assets Held by the County for Operations	1,638,194
Restricted Assets Held by the County Replacement and Improvement	358,431
Restricted Assets Held by the County for Future Debt Service	166,167

Compensated absences liabilities will be paid from the fund from which the employees' salaries are paid. Compensated absences are presented net because it is not practical to determine the actual increases or decreases. Capital lease obligations will be paid from the fund that maintains custody of the related asset.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

The effects of the debt limitations described above at December 31, 2001 are an overall debt margin of \$27,216,750 and an unvoted debt margin of \$3,104,603.

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

17. LONG-TERM DEBT (Continued)

The following is a summary of the County's future annual debt service requirements, including interest, for long-term obligations:

Years	Issue II Loan	General Obligation Bonds	Special Assessment Bonds	Total
2002	\$ 3,684	\$ 1,545,183	\$ 1,274,281	\$ 2,823,148
2003	7,367	1,558,367	1,224,860	2,790,594
2004	7,367	1,558,994	1,225,337	2,791,698
2005	7,367	1,551,264	1,419,290	2,977,921
2006	7,367	1,552,139	1,165,909	2,725,415
2007-2011	36,835	7,778,261	3,662,217	11,477,313
2012-2016	36,835	6,640,150	2,124,658	8,801,643
2017-2021	25,784	2,173,555	1,128,857	3,328,196
	\$ 132,606	\$ 24,357,913	\$ 13,225,409	\$ 37,715,928

Years	Enterprise Fund		Total
	Issue II Loans	Revenue Bonds	
2002	\$ 20,550	\$ 676,590	\$ 697,140
2003	20,551	673,090	693,641
2004	20,550	673,670	694,220
2005	20,551	673,182	693,733
2006	20,550	676,598	697,148
2007-2011	102,755	3,369,728	3,472,483
2012-2018	57,186	4,728,601	4,785,787
	<u>\$ 262,693</u>	<u>\$ 11,471,459</u>	<u>\$ 11,734,152</u>

A. Conduit Debt

In 1998, the County issued economic development revenue bonds and health care facilities revenue bonds in the amount of \$10,400,000 and \$4,520,000, respectively. In 1999, the County issued health care facilities revenue bonds in the amount of \$1,455,000. These bonds were issued to provide financial assistance to private-sector entities for the acquisition, construction, renovating, and equipping of facilities deemed to be in the public interest.

In 2001, the County approved the issuance of \$1,600,000 of Development Revenue Bonds to assist R.T.H. Processing, Inc., in financing the costs of acquiring and installing capital equipment in its manufacturing facility located in Delphos, Ohio.

The bonds are secured by the property financed and are payable solely from payments received on the underlying loan or lease and the trust agreements. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The County is not obligated in any way to pay the debt and related charges on revenue bonds from any of its funds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2001, the aggregate principal amount payable on these bonds is \$15,880,000.

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

17. LONG-TERM DEBT (Continued)

B. Component Units

Component Unit Obligations	Outstanding 12/31/00	Issued	Retired	Outstanding 12/31/01
LODDI, Inc.				
Mortgage Notes Payable	\$217,683	\$28,169	\$17,543	\$228,309

The mortgage notes payable for the component unit LODDI, Inc. are a result of LODDI purchasing properties located within Allen County. The notes are currently held by The Commercial Bank of Delphos, Ohio and Fifth-Third Bank, Western Ohio. The notes will be repaid with operating revenues. The following is a summary of the component units' future annual debt service requirements for the notes payable:

Year	Mortgage Loans (Principal Only)
2002	\$15,955
2003	17,135
2004	18,340
2005	19,377
2006	19,489
Thereafter	138,013
Total	\$228,309

18. INTERFUND TRANSACTIONS

Interfund balances consist of the following individual fund receivables and payables:

	Due To/From Other Funds		Advances To/From Other Funds	
	Receivable	Payable	Receivable	Payable
General Fund	\$ 26,583	\$ -	\$ 1,368,955	\$ 1,970,500
Special Revenue Funds:				
MVGT	4,636	-	-	-
Auditor \$2 Transfer Fee	-	-	-	300,000
Dog and Kennel	-	-	-	250,000
Job and Family Services	-	62,080	-	-
Sheriff Law Enforcement	-	-	-	12,000
Child Support Enforcement	680	25,544	1,300,000	-
MRDD	37,400	-	1,047,538	-
Children Services	24,000	-	-	-
Juvenile Felony Subsidy	-	1,039	-	-
Ditch Maintenance	-	-	-	72,800
Civic Center	-	-	-	85,000
Total Special Revenue	66,716	88,663	2,347,538	719,800
Debt Service Fund:				
Special Assessment Bond Retirement	-	-	-	7,535
Capital Project Funds:				
Detailed Planning - Water Projects	-	-	-	112,095
Detailed Planning - Sewer Projects	-	-	-	255,237
Marimor Permanent Improvement	-	-	-	1,047,538
Special Assessment Notes - Ditches	-	4,636	-	730,120
Building and Expansion	-	-	755,500	-
Capital Improvement Clerk/Museum	-	-	-	-
Total Capital Project Funds	-	4,636	755,500	2,144,990
Enterprise Fund				
Sewer	-	-	370,832	-
Total All Funds	\$ 93,299	\$ 93,299	\$ 4,842,825	\$ 4,842,825

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

19. CONDENSED FINANCIAL STATEMENTS - DISCRETELY PRESENTED COMPONENT UNITS

Balance Sheets

	Marimor Industries		LODDI	Total Coponent Units
Assets				
Current Assets	\$ 646,615	\$ 19,563	\$ 666,178	
Property, Plant and Equipment (Net of Accumulated Depreciation)	124,162	698,537	822,699	
Total Assets	<u>770,777</u>	<u>718,100</u>	<u>1,488,877</u>	
Liabilities				
Current Liabilities	21,472	1,595	23,067	
Long-term Mortgages Payable		228,309	228,309	
Total Liabilities	<u>21,742</u>	<u>229,904</u>	<u>251,736</u>	
Equity				
Fund Balance - Unreserved	749,305	488,196	1,237,501	
Total Liabilities and Fund Equity	<u>\$ 770,777</u>	<u>\$ 718,100</u>	<u>\$ 1,488,877</u>	

Operating Statements

Income	\$ 636,238	\$ 89,947	\$ 726,185
Expenses			
Expenses Excluding Depreciation	857,668	75,134	932,802
Depreciation	48,373	16,231	64,604
Total Expenses	<u>906,041</u>	<u>91,365</u>	<u>997,406</u>
Excess of Income Over (Under) Expenses	(269,803)	(1,418)	(271,221)
Other Income	34,193	77,500	111,693
Other Income Over (Under) Expenses	(235,610)	76,082	(159,528)
Fund Balance - Beginning of Year	984,915	412,114	1,397,029
Fund Balance - End of Year	<u>\$ 749,305</u>	<u>\$ 488,196</u>	<u>\$ 1,237,501</u>

20. JOINT VENTURES

A. Lima-Allen County Downtown Construction

The County and the City of Lima (City) entered into a joint funding agreement for the construction and funding of certain facilities, including the expansion of the Veteran's Memorial Civic and Convention Center, a parking garage, and a pedestrian overhead walkway (skywalk) from the Civic Center addition to the parking garage. The Civic Center expansion and the skywalk were constructed by and are owned by the County. The parking garage was constructed by and is owned by the City.

The operation and maintenance costs associated with the skywalk and the parking garage are the joint responsibility of the County and the City. The City and the County share equally the net revenue/(loss) derived from the garage. For the year 2001, this amounted to a loss of \$4,888, of which the County was responsible for \$2,444. Complete financial information can be obtained from the Allen County Commissioners, Allen County, Ohio.

The City of Lima has agreed to enter into a long-term lease agreement with the County offering the County a one-half ownership interest in the parking garage, which will be operated and maintained by the Lima-Allen County Joint Parking Commission, in accordance with the rules and regulations established for the JPC (see Note 20). As of December 31, 2001 this lease has not been entered into.

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

20. JOINT VENTURES (Continued)

B. Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties

The Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties (MHRS), is a three county political organization whose general purpose is to provide leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming, while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services.

The MHRS Board of Trustees consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioners of Allen, Auglaize and Hardin Counties in the same proportion as each county's population bears to the total population of the three counties combined.

The degree of control exercised by any participating government is limited to its representation on the Board. The MHRS Board is a joint venture since continued participation by the County is necessary for the continued existence.

Allen County acts as the fiscal agent for the MHRS Board. The Board receives tax revenue from the three counties and receives federal and state funding through grant monies which are applied for and received by the Board of Trustees. The MHRS Board is accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. During 2001, tax revenues generated by the levy in Allen County totaled \$622,615, which represents 6.7 percent of total revenue. Complete financial statements can be obtained from the Mental Health and Recovery Services Board, Allen County, Ohio.

C. Workforce Investment Act

The Workforce Investment Act (WIA) of 1998 (Pub L. No. 105.220) abolished the former Job Training and Partnership Act (JTPA) and merged services previously provided by both the Ohio Bureau of Unemployment Services (OBES) and the Ohio Department of Human Services (ODHS). As a result of this legislation, both State and County Departments of Human Services (DHS) are now the Department of Job and Family Services (DJFS).

Objectives of WIA are to increase the employment, retention, and earnings of participants in the program, and as a result improve the quality of the workforce, reduce welfare dependency, and enhance the productivity of the nation.

Ohio is organized into seven local workforce investment areas. There are six "traditional" local areas and a seventh area known as the Ohio Option, which includes most of the state. Each traditional area has its own workforce investment board and acts as its own workforce investment system. The Ohio option is subdivided into local Workforce Development Areas (WDA), typically a county or multi-county WDA.

Each workforce investment or policy board is responsible for developing "one-stop" service delivery systems for the local area. The one stop system is a network of required partners delivering training/employment services and activities defined in the law.

Each federal WIA program is administered through the ODJFS and operates on a state fiscal year from July 1, to June 30.

ALLEN COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

21. JOINTLY GOVERNED ORGANIZATIONS

A. Lima-Allen County Regional Planning Commission

The Lima-Allen County Regional Planning Commission is a political organization as established and set forth under Section 713.21 et seq. of the Ohio Revised Code. Representation on the Commission consists of six delegates and six alternates appointed by the Allen County Board of Commissioners, one delegate and one alternate for each 5,000 persons determined by the last federal decennial census from each municipal corporation and each of the townships participating in the Commission; provided that in no event shall any cooperating municipality or township have less than one delegate and one alternate to the Commission.

Each participating municipality and township contributes in each calendar year twenty cents per capita according to the latest federal census. Duties of the Commission include making studies, maps, plans and other reports of the County and adjoining areas, showing recommendations for systems of transportation, highways, park and recreational facilities, water supply, sewerage disposal, garbage disposal, civic centers and other public improvements and land uses which affect the development of the region.

The Commission has the authority to employ an Executive Director, engineers, accountants, attorneys, planners and others as may be necessary and set their compensation.

In 2001, the County paid membership fees of \$76,828, which represents 10 percent of total revenue. Complete financial statements can be obtained from the Lima-Allen County Regional Planning Commission, Allen County, Ohio.

B. Joint Solid Waste Management District

Allen County participates in a Multi-County Solid Waste District (the District), along with Champaign, Hardin, Marion, Shelby and Union Counties. The District was established following the requirements of House Bill 592. The Board of Directors consists of County Commissioners from each county. Initial funding for the District was contributed by each county based on its individual county's population as compared to the total of all participating counties' populations.

Allen County, being the largest of the six counties, initially contributed 33 percent of the total funds contributed, and is the fiscal agent for the District. In 1994, the District became self-supporting and does not anticipate having to rely on future support coming from funds given to the District by the six counties involved. The County does not contribute to the Joint Solid Waste Management District nor does it anticipate doing so in the future. Complete financial statements can be obtained from the Joint Solid Waste District, Allen County, Ohio.

C. Western Ohio Regional Treatment and Habilitation (WORTH) Center

The Western Ohio Regional Treatment and Habilitation (WORTH) Center is a residential probation center created in 1991 under Section 2301.51 of the Ohio Revised Code. The WORTH Center is operated by the Judicial Corrections Board for the district comprised of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties for men from the eight counties placed on probation by the Common Pleas Court that otherwise would be sentenced to incarceration in a state penal institution. Training and counseling are personalized to meet the needs of each offender and are designed to establish an ongoing treatment plan that will accompany the offender upon release from the WORTH Center.

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

21. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Judicial Corrections Board of the WORTH Center consists of ten judges of the eight member counties who are appointed by the presiding judge of the court of common pleas of Allen County. The County has entered into a sublease with the Department of Rehabilitation and Correction which stipulates that the WORTH Center building constructed by the Ohio Building Authority will revert to the County's ownership after 20 years from the start of the WORTH Center project.

The Center is located in Allen County and the County acts as the fiscal agent. The County does not contribute to the Center nor does it anticipate doing so in the future. Complete financial statements can be obtained from the WORTH Center, Allen County, Ohio.

D. Lima-Allen County Joint Parking Commission

The County and the City of Lima have established a joint parking commission (JPC) which will be responsible for developing and implementing a joint City-County parking system for the Central Business District in Lima, and will have management control over the downtown parking garage and various downtown surface lots placed under the administration of the JPC by the respective parties. The JPC establishes policies for the operation of the parking system under its control, including rates to be charged.

The JPC is comprised of two members, one appointed by the Mayor of the City of Lima, and one appointed by the President of the Board of County Commissioners.

22. INSURANCE POOL

A. County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services, and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a County Commissioner.

23. RELATED PARTY TRANSACTIONS

Marimor Industries, Inc., a discretely presented component unit of Allen County, has entered into a contract with the Allen County Board of Mental Retardation/Developmental Disabilities (MRDD), whereby the MRDD has agreed to pay specified overhead expenses for the workshop. The additional income and related expenses are not reflected in the financial statements of the component unit. In 2001, the contribution to Marimor Industries, Inc. for salaries, retirement, employee benefits, worker's compensation, repairs, supplies, equipment, Medicare, and other expenses was \$2,544,167.

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

24. CONTRACTUAL COMMITMENTS

The County had entered into various contracts with outstanding amounts of \$100,000 or more on December 31, 2001, as follows:

Company	Project	Amount
Allen Economic	Contract	\$106,248
Allen County Board of MR/DD	Help Me Grow Program	273,384
TEACH/The Enrichment Association	Project YES/Youth Services	226,187
Lima City School District	Youth Workforce Program	171,411
Lima City School District	Opt Center/WIA Youth	111,881
Manatron, Inc.	Real Estate Appraisal/Reevaluation	689,150
Malcom Pirnie, Inc.	GIS	103,450
Underground Utilities, Inc.	Industrial Park	968,060
Allen County Health Department	Help Me Grow Program	114,398

25. CONTINGENT LIABILITIES

A. Pending Litigation

Several claims and lawsuits are pending against the County. In the opinion of the Assistant County Prosecuting Attorney, any potential liability would not have a material effect on the financial statements.

B. Grants

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowance, if any, will be immaterial.

26. SUBSEQUENT EVENTS

On January 17, 2002, the County authorized the renewal of the Spencerville Ditch note in the amount of \$76,500 for one year at a rate of 3.63 percent.

On February 28, 2002, the County authorized the renewal of the Bear Ditch note in the amount of \$50,000 for one year.

On May 1, 2002, the County issued a \$40,000 note for the Oakview Subdivision Sewer Improvement Project for one year at a rate of 4.29 percent.

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ALLEN COUNTY FINANCIAL CONDITION

SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Award Amount	Receipts	Non-Cash Receipts	Non-Cash Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture							
<i>Passed Through Ohio Department of Agriculture:</i>							
School Breakfast Program							
Marimor School (Note 4)	05-PU-99	10.553	n/a	\$ 13,610	\$ -	\$ 13,610	\$ -
Detention Center (Note 4)	05-PU-99	10.553	n/a	19,565	-	19,565	-
Total National School Breakfast Program				33,175	-	33,175	-
National School Lunch Program							
Marimor School (Note 4)	03-PU-99	10.555	n/a	23,890	-	23,890	-
Detention Center (Note 4)	03-PU-99	10.555	n/a	13,005	-	13,005	-
Total National School Lunch Program				36,895	-	36,895	-
Food Distribution Program							
Marimor School (Note 4)	N/A	10.550	n/a	-	6,101	-	5,819
Detention Center (Note 4)	N/A	10.550	n/a	-	4,220	-	4,229
Total Food Distribution Program				-	10,321	-	10,048
Total U.S. Department of Agriculture (Nutrition Cluster)				70,070	10,321	70,070	10,048
U.S. Department of Education							
<i>Passed Through Ohio Department of Education:</i>							
Special Education Grants to States (IDEA Part B)	6B-SF-01	84.027	74,906	52,434	-	56,903	-
Special Education Grants to States (IDEA Part B)	6B-SF-02	84.027	71,585	21,475	-	17,035	-
Total Special Education Grants to States				73,909	-	73,938	-
Special Education-Preschool Disabilities (IDEA Part B)	PG-S1-00	84.173	24,755	-	-	16,396	-
Special Education-Preschool Disabilities (IDEA Part B)	PG-S1-01	84.173	24,668	24,668	-	7,461	-
Total Special Education-Preschool Disabilities				24,668	-	23,857	-
Total Special Education Cluster				98,577	-	97,795	-
Innovative Education Program Strategies	C2-S1-00	84.298	5,008	4,107	-	5,008	-
Innovative Education Program Strategies	C2-S1-01	84.298	5,309	1,540	-	-	-
Total Innovative Education Programs				5,647	-	5,008	-
Total U.S. Department of Education				104,224	-	102,803	-
U.S. Federal Emergency Management Agency							
<i>Passed Through Ohio Department of Public Safety:</i>							
Emergency Management Performance Grant	J-236	83.552	25,686	25,686	-	25,686	-
Terrorism Consequence Management Preparedness	H-536	83.552	2,500	2,500	-	2,500	-
Terrorism Consequence Management Preparedness	J-237	83.552	15,000	15,000	-	10,948	-
Total U.S. Federal Emergency Management Agency				43,186	-	39,134	-
U.S. Department of Health and Human Services							
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>							
Social Services Block Grant - Title XX	N/A	93.667	n/a	93,967	-	93,967	-
Medical Assistance Program - Title XIX (CAFS)	N/A	93.778	n/a	1,677,949	-	1,677,949	-
<i>Passed through Ohio Department of Job and Family Services</i>							
Independent Living	N/A	93.674		22,576		22,576	
Child Abuse and Neglect State Grants		93.669		5,479		5,479	
Promoting Safe and Stable Families		93.556		32,152		35,152	
Child Welfare Services - State Grants		93.645		21,000		21,000	
Total U.S. Department of Health and Human Services				1,853,123	-	1,856,123	-
U.S. Department of Labor							
<i>Passed through Ohio Department of Job and Family Services</i>							
Workforce Investment Act	N/A	17.255		624,647		624,647	

ALLEN COUNTY FINANCIAL CONDITION

**SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Award Amount	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Justice:							
<i>Passed Through Ohio Department of Criminal Justice:</i>							
Local Law Enforcement Block Grant	2000-LB-VX-874	16.592	130,016	-	-	130,016	-
Local Law Enforcement Block Grant	2000-LB-BX-1394	16.592	89,695	-	-	1,898	-
Total Local Law Enforcement Block Grant				-	-	131,914	-
Byrne Formula Grant Program - Gang Prevention	1999-DG-B01-7042	16.579	33,600	7,700	-	7,700	-
Byrne Formula Grant Program - Narcotics Task Force	2000-DG-A01-7006	16.579	140,710	140,710	-	140,710	-
Byrne Formula Grant Program - Criminal Justice	1999-DG-G01-9078	16.579	142,500	142,500	-	142,500	-
Total Byrne Formula Grant Program				290,910	-	290,910	-
Juvenile Accountability Incentive Block Grant							
- South Youth Succeed	1999-JB-007-A117	16.523	50,000	50,000	-	41,667	-
- Rehab Counseling	2000-JB-002-A138	16.523	72,000	18,000	-	-	-
- Van Purchase	1999-JB-007-A146	16.523	17,100	17,100	-	17,100	-
Juvenile Accountability Incentive Block Grant	1999-JB-002-A055	16.523	32,430	12,430	-	12,430	-
- Day Treatment	2000-JB-002-A099	16.523	30,485	15,242	-	30,485	-
- Day Treatment	1999-JB-002-A099	16.523	32,430	23,782	-	21,476	-
Total Juvenile Accountability Incentive Block Grant				136,554	-	123,158	-
Total U.S. Department of Justice				427,464	-	545,982	-
U.S. Department of Transportation							
National Highway Traffic Safety Administration,							
<i>Passed Through Ohio Department of Public Safety:</i>							
Young Safe Drivers/Party Crashers/Cops-in-Shops							
State and Community Highway Safety	2000-J8-0 / 6	20.600	9,885	2,030	-	2,030	-
State and Community Highway Safety	2001-J8-J / 2	20.600	44,292	23,145	-	23,145	-
Total National Highway Traffic Safety Administration				25,175	-	25,175	-
Federal Highway Administration							
<i>Passed Through Ohio Department of Transportation</i>							
Highway Planning and Construction-High Street Bridge	ALL-CR507	20.205	1,193,160	739,125	-	739,125	-
Highway Planning and Construction-Elida Road Rehab	ALL-CR128A-0.53	20.205	400,000	294,109	-	294,109	-
Total Federal Highway Administration				1,033,234	-	1,033,234	-
Total U.S. Department of Transportation				1,058,409	-	1,058,409	-
U.S. Department of Housing and Urban Development							
<i>Passed Through Ohio Department of Development:</i>							
HOME Investment Partnerships Program	B-C-00-002-2	14.239	336,200	129,450	-	91,066	-
Community Development Block Grant-Entitlement Grants							
Formula Allocation Program	B-F-99-002-1	14.228	284,000	-	-	65,530	-
Formula Allocation Program	B-F-00-002-1	14.228	267,000	252,900	-	256,837	-
Home Community Housing Improvement Program	B-C-00-002-1	14.228	163,800	89,098	-	89,727	-
Economic Development Program	B-E-99-002-1	14.228	400,000	-	-	-	-
Economic Development Program	B-E-00-002-1	14.228	400,000	400,000	-	391,576	-
Total Community Development Block Grants				741,998	-	803,670	-
Total U.S. Department of Housing and Urban Development				871,448	-	894,736	-
U.S. Department of Commerce							
(Direct)							
Economic Adjustment Assistance							
Industrial Park East	06-49-02944	11.307	1,010,361	-	-	1,010,361	-
Total Federal Financial Assistance				\$5,052,571	\$10,321	\$6,202,265	\$10,048

See accompanying notes to the schedule of federal awards expenditures.

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 1: GENERAL

The accompanying Schedule of Federal Financial Assistance presents the activity of all federal financial programs of Allen County, Ohio. The County reporting entity is defined in Note 1 of the County's general-purpose financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included in the schedule.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Federal Financial Assistance has been prepared on a basis of cash receipts and disbursements, consequently, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred.

NOTE 3: COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS (CDBG)

The Allen County CDBG received periodic loan repayments from individuals awarded loans for rehabilitation programs. In addition, the County received payments from individuals who did not reside in a rehabilitated dwelling for the required ten-year period. The activity for the loan fund is scheduled below and is not reflected in the federal receipts, expenditures, and cash balances on the schedule of federal financial assistance.

The loan receivable activity and cash balances available for loan under the revolving loan program for 2001 are as follows:

Rehabilitation Loans	Receivable	Balance
Beginning Balance	\$103,321	\$59,660
Loan Principal Receipts	(16,748)	16,748
Loan Interest Repayment Receipts		15,250
Interest on Bank Account		1,102
Miscellaneous Disbursements		(37,470)
Ending Balance	<u>\$86,573</u>	<u>\$55,290</u>

In addition to the rehabilitation loans under the direct control of Allen County, the County also provides oversight for the CDBG Small Business Revolving Loans administered by the Allen County Port Authority whose 2001 activity is as follows:

Small Business Revolving Loans	Loans Receivable	Cash Balance
Beginning Balance	\$115,148	\$370,822
Loan Repayment Receipts	(29,168)	29,168
Loan Interest Repayment Receipts		1,112
Interest on Bank Account		9,714
Program Conversion Disbursements		(86,814)
Administration		(11,887)
Ending Balances	<u>\$ 85,980</u>	<u>\$312,315</u>

The ending cash balance is the total amount available for loan by the revolving loan program. Additional information on the Revolving Loan Program is provided in the audit of the Allen County Port Authority.

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 4: FOOD SERVICES PROGRAMS - MARIMOR SCHOOL AND DETENTION CENTER

The Department of Mental Retardation and Development Disabilities (Marimor School) and the Youth Detention Home, received federal assistance through the National School Lunch and Donated Food Programs. The National School Lunch program is reimbursing in nature and revenues are considered expended when received. The above departments are allowed a selection from a pool of foods, when available, under the Food Distribution Program.

NOTE 5: MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included in the Schedule.

NOTE 6: OHIO DEPARTMENT JOB AND FAMILY SERVICES

The Allen County Department of Job and Family Services, Childrens Services Board and Child Support Enforcement Agency received federal financial assistance from the Ohio Department of Job and Family Services for the following programs (which are audited at the state level and reported in the State Single Audit Report):

- Food Stamps Cluster (CFDA # 10.551/561)
- Temporary Assistance for Needy Families (CFDA # 93.558)
- Child Support Enforcement (CFDA # 93.563)
- Child Care Cluster (CFDA # 93.575/596)
- Foster Care (CFDA # 93.658)
- Adoption Assistance (CFDA # 93.659)
- Social Services Block Grant Title XX (CFDA # 93.667)
- State Children's Insurance Fund (CFDA #93.767)
- Medical Assistance Program (CFDA # 93.775/.777/.778)

NOTE 7: FEDERAL FOOD STAMP PROGRAM

The Department of Job and Family Services (DJFS) distributes Federal food stamps, through contracting issuance centers, to entitled recipients within Allen County. The receipt and issuance of these stamps have the characteristics of federal "grants"; however, the DJFS merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements as the only economic interest related to these stamps rests with the ultimate recipient. Federal food stamp activity for the year was as follows:

Balance at Beginning of Year	\$ 22,246
Amount Distributed to Recipients	<u>2,925</u>
Balance at End of Year	<u>\$ 19,321</u>

Generally, the State Department of Job and Family Services is responsible for the distribution of benefits and the County does not have to maintain a substantial inventory of food stamp coupons. However, a minimal supply is kept on hand in the event the food stamp system should fail, or an emergency should arise.

ALLEN COUNTY FINANCIAL CONDITION

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 8: FEDERAL ECONOMIC ADJUSTMENT GRANT

The County was the primary grantee of federal funds, through the United States Department of Commerce, for the improvement and infrastructure development in an industrial park. This federal award is reimbursed upon completion of the project, and the submission of the applicable documents. As of December 31, 2001, expenditures on this project had exceeded the federal award amount, including the required matching amount required from the County. The required documents have been submitted, and the County is currently expecting the reimbursement.

NOTE 9: WORKFORCE INVESTMENT ACT

The Workforce Investment Act requires recipients to account for this activity on an accrual basis. During 2001, this activity was prepared and reported on a cash basis.



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Allen County
301 North Main Street
Lima, Ohio 45801

To the Board of Commissioners:

We have audited the financial statements of Allen County, (the County), as of and for the year ended December 31, 2001, and have issued our report thereon dated July 24, 2002, which indicated we did not audit the financial statements of Marimor Industries, Inc. and LODDI, Inc. and our opinion insofar as it relates to the amounts included for Marimor Industries, Inc. and LODDI, Inc., is based on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Marimor Industries, Inc. and LODDI, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not extend to those component units.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 201-60202-001 through 2001-60202-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated July 24, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-60202-004.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated July 24, 2002.

This report is intended for the information and use of management, the Board of Commissioners and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

July 24, 2002



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Allen County
301 North Main Street
Lima, Ohio 45801

To the Board of Commissioners:

Compliance

We have audited the compliance of Allen County, (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001. We noted certain immaterial instances of noncompliance that do not require inclusion in this report that we have reported to management of the County in a separate letter dated July 24, 2002.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance
(Continued)**

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely effect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2001-60202-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not disclose all matters in internal control that are also considered to be material weaknesses. However, we consider the reportable condition listed as item 2001-60202-005 to be a material weakness.

This report is intended for the information and use of management, the Board of Commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

July 24, 2002

ALLEN COUNTY FINANCIAL CONDITION

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2001
OMB CIRCULAR A -133 §.505**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #93.778 Title XIX (CAFS) CFDA#17.255 Workforce Investment Act CFDA #20.205 Highway Planning and Construction CFDA #14.228 Community Development Block Grant CFDA #11.307 Economic Adjustment Assistance
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

ALLEN COUNTY FINANCIAL CONDITION

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2001
OMB CIRCULAR A -133 §.505

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number 2001-60202-001	Noncompliance
--------------------------------------	----------------------

Ohio Rev. Code Section 5705.10, states that money that is paid into a fund must be used only for the purposes for which such fund has been established.

During the year 2001, the Board had the following deficit fund balances during the audit period in the Allen County Health Insurance Plan Fund: February - (\$222,418), May - (\$318,355), September - (\$28,155), and December - (\$28,240).

A negative fund balance in any fund indicates that money from one fund has been used to cover the expenses of another fund.

Procedures should be developed to monitor fund balances and identify those funds that may potentially fall into a negative balance. Advances may be made to cover shortfalls. Reference may be made to Audit Bulletin 97-003 for guidance.

Finding Number 2001-60202-002	Noncompliance
--------------------------------------	----------------------

Ohio Rev. Code Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Allen County Health Insurance Plan Fund had expenditures exceeding appropriations at December 31, 2001. Appropriations totaled \$3,426,200 and actual expenditures totaled \$4,065,029, giving an excess of \$638,829.

Failure to adopt amended appropriations for an increase or decrease in allowable spending could result in expenditures being made in excess of actual funds available and result in deficit spending.

In addition, activity regarding capital outlays was not properly reported and recorded in the County's financial records. This activity included payments that were disbursed directly to contractors by the Ohio Department of Transportation as "on behalf" payments for the County's benefit. This activity had not been budgeted or appropriated for by the County.

By not properly budgeting for "on-behalf" activities, the County could understate the amount of benefit received from state and federal funding. This would cause not only the financial statements to be understated, but the federal financial assistance scheduled would not properly reflect all required activity. The County adjusted the accompanying financial statements in the amount of \$1,033,234, to properly reflect the "on-behalf" amounts received.

Procedures should be developed to compare actual expenditures to appropriations in order to identify when expenditures are nearing the level of appropriations and appropriate action taken. This can be accomplished through the review of the budget versus actual report generated by the system on a monthly basis. Further, procedures should be implemented to properly identify all awards and payments, including the "on-behalf" activity, for inclusion in the financial activity of the County. Each department should be surveyed to determine the existence of "on-behalf" programs and activities, prior to completing the budgetary process. Documents supporting awards of grant funds should be filed with the Board of Commissioners and the County Auditor to help ensure the appropriate recording of financial activity.

ALLEN COUNTY FINANCIAL CONDITION

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2001
OMB CIRCULAR A -133 §.505**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)**

Finding Number 2001-60202-003	Noncompliance
--------------------------------------	----------------------

Ohio Rev. Code Section 5705.36, allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The Board did not obtain a reduced amended certificate for the Public Assistance Fund when the budgeted revenue was \$18,757,600 and actual receipts were \$11,307,155, which is a \$7,450,455 variance. Appropriations were \$19,564,696 and actual expenditures, plus encumbrances, were \$13,605,783. Had a reduced certificate been obtained the result would have been to reduce appropriations to \$12,114,251 which in turn would result in expenditures, plus encumbrances, in the amount of \$1,491,531 being in excess of amounts available for appropriations.

The lack of monitoring anticipated revenues compared to actual collections, and amending estimated resources and the corresponding appropriations, could result in amounts expended in excess of amounts available and deficit balances.

Procedures should be developed to compare actual revenues to amounts budgeted in order to identify when revenues are not meeting expectations. This can be accomplished through the review of the budget versus actual report generated by the system on a monthly basis. An amended certificate of estimated resources should be obtained whenever it is determined that the revenue to be collected will be significantly greater or less than the last certificate of estimated resources, and the corresponding appropriations amended accordingly.

Finding Number 2001-60202-004	Material Weakness
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Self Insurance Program

The County established an Employee Health Insurance Fund to account for and finance employee health benefits. The Employee Health Care Plan is responsible for the first \$75,000 in aggregated claims per individual per year, the stop-loss insurance covers the next \$81,000, and then the County covers an additional \$81,000. After that, the stop-loss covers up to a lifetime maximum of \$1,925,000 per covered person. Additional stop-loss insurance has been purchased for claims in excess of \$3,025,409 in the aggregate.

During the year 2001, revenues in the Employee Health Insurance Fund increased by 24 percent and expenditures increased by 6 percent, however expenditures continued to outpace revenues by 8 percent, which resulted in deficit fund balances throughout 2001. The fund cash balance at December 31, 2001 was a negative (\$28,240), and coupled with claims payable at year-end in the amount \$566,054, resulted in unfunded claims in the amount of \$594,294.

The County has taken aggressive action to alleviate this deficit, and as of June 30, 2002, the cash fund balance was \$714,907.

The County should continue to monitor the performance of the fund and determine the appropriate course of action. The County should take into consideration the most cost efficient approach.

ALLEN COUNTY FINANCIAL CONDITION

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2001
OMB CIRCULAR A -133 §.505**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2001-60202-005
CFDA Title and Number	All CFDA Titles and Numbers
Federal Award Number/Year	All Federal Award Numbers
Federal Agency	All Federal Agencies
Pass-Through Agency	All Pass-Through Agencies

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization, requires federal recipients and sub-recipients to identify in their accounts all federal awards received and expended, as well as the federal programs under which they were granted. The accounts utilized by the County do not differentiate federal fund receipts from other local receipts in all instances. In assessing the appropriateness and completeness of the County's identification of federal programs, it must be determined whether the required reports for federal awards include all activity of the reporting period, are supported by applicable accounting records, and are fairly presented in accordance with program requirements.

In addition, OMB Circular A-133, Subpart C, Section 300(d), states that the County shall prepare appropriate financial statements, including the schedule of federal awards expenditures for the period covered by the County's financial statements. The Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through agency.

The Schedule of Federal Award Expenditures was not completely and accurately prepared. The Schedule as presented by the County disclosed approximately \$3.7 million in federal award expenditures, and after the Auditor of State's assessment of completeness, the Schedule disclosed approximately \$6.2 million in federal award expenditures.

Examination of the accounting records determined that the County does not have a system in place to completely and accurately differentiate federal program revenues and expenditures from state and local revenues and expenditures. It is difficult to compare receipts and expenditures for a department or for a specific project and identify federal transactions. The lack of proper identification of federal transactions in the accounting records could result in significant misstatements of the schedule of federal award expenditures and could also result in the loss of federal funding.

Allen County should evaluate the current accounting records, required reporting by departments, and make the necessary changes to enable the proper and complete identification of all federal transactions.

ALLEN COUNTY FINANCIAL CONDITION

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2001
OMB CIRCULAR A -133 §.315 (b)**

Finding Number	FindingSummary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <i>Explain:</i>
2000-60202-001	Sewer Revenue Bond Debt Covenant	Yes	
2000-60202-002	Self-Insurance Program Fund Deficit	No, but action has been taken in 2002	Allen County has taken steps in 2002 to address the deficit fund balance, and to increase revenues in the fund.
2000-60202-003	Preparation of the Schedule of Federal Award Expenditures	Partially corrected	The County prepared a Schedule for 2001, however, the Schedule was not complete.



STATE OF OHIO
OFFICE OF THE AUDITOR

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FINANCIAL CONDITION

ALLEN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 13, 2002